

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation & Improvement)	Audit Committee	27/9/07

## LOCAL CODE OF CORPORATE GOVERNANCE

### PURPOSE OF THE REPORT

- 1 To explain the new requirement upon councils to develop and maintain a Local Code of Corporate Governance;
- 2 To present a draft version of such a Code, which has been prepared in accordance with the prevailing guidance; and,
- 3 To ask members to note the contents of the draft Code and approve it for further consultation.

### RECOMMENDATIONS

- 4 That the new Local Code of Governance be approved for further consultation.

### EXECUTIVE SUMMARY OF REPORT

- 5 Under recently issued guidance by CIPFA & SOLACE the Council is required to develop and maintain a Local Code of Corporate Governance and to prepare a Governance Statement in order to report publicly on the extent to which the Council complies with its own Code on an annual basis.
- 6 A draft Local Code of Governance has been prepared in accordance with the guidance and is attached to this report for members' information, the contents of which are summarised below.
- 7 The intention is to compare our draft Code with those of other councils before seeking members' formal approval of the final version at a future meeting.

### CORPORATE PRIORITIES

- 8 This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

## BACKGROUND

- 9 A sound system of corporate governance underpins the achievement of all the Council's strategic objectives but is key to ensuring that the Council is a performing organisation as it forms a significant element of the Comprehensive Performance Assessment (CPA) and Use of Resources assessment regimes.
- 10 CIPFA and SOLACE have recently issued a document entitled "Delivering Good Governance in Local Government" which provides a Framework and Guidance under which councils are urged to:
- develop and maintain an up-to-date **local code of governance** consistent with the core principles set out in this Framework, including arrangements for ensuring its ongoing application and effectiveness;
  - prepare a **governance statement** in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
  - **review its existing governance arrangements** against this Framework.
- 11 The Local Code of Corporate Governance attached to this report has been produced to show how Chorley aims to implement the provisions of the new CIPFA SOLACE Framework and therefore ensure full compliance with it.

## THE LOCAL CODE - A SUMMARY

- 12 The new CIPFA SOLACE Framework identifies the following 6 core principles which underpin a council's system of governance

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

- 13 Corporate governance is therefore the product of the interlocking systems and processes through which an organisation manages and directs itself to determine and deliver its objectives. Although as the phrase implies this includes issues of probity, ethics and personal conduct the impact is much wider. The above principles demonstrate that governance is primarily about having effective **performance management** and **risk management** systems in place.
- 14 CIPFA SOLACE requires the Council to:
- consider the extent to which it complies with the above 6 core principles and requirements of good governance set out in the Framework;
  - identify systems, processes and documentation that provide evidence of compliance;
  - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified;
  - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed;
  - identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 15 The attached Local Code describes the arrangements that have been established within the Council to comply with the above requirements and these are summarised below.

## **COMPLIANCE WITH THE 6 CORE PRINCIPLES**

- 16 Under each core principle, CIPFA SOLACE identifies a series of sub-principles, which in total provide a 63-point checklist. A working group comprising of key officers conducts a detailed annual self-assessment against this checklist.

## **EVIDENCE**

- 17 Wherever possible reference is made to independent sources of assurance such as external or internal audit reports to confirm the effectiveness of specific arrangements.

## **ANNUAL GOVERNANCE STATEMENT**

- 18 The results of the self-assessment, including any significant non-compliance issues are published in the Annual Governance Statement alongside the annual accounts.
- 19 This includes any non-compliance issues arising from Directorate Assurance Statements. This mechanism has been introduced to supplement the corporate self-assessment and aims to evaluate compliance with a range of corporate policies and procedures within service units.

## **MONITORING & REVIEW**

- 20 Strategy Group review the draft Statement prior to signature by the Leader and Chief Executive.
- 21 **The Audit Committee review and approve the draft Statement prior to publication but even more importantly have responsibility for reviewing the adequacy and effectiveness of the overall Council's overall governance arrangements.**

## IMPLICATIONS OF REPORT

- 22 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
(Business Transformation & Improvement)

<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
CIPFA SOLACE - Delivering Good Governance in Local Government	2007	FINANCE DIRECTORATE	UNION ST OFFICES

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
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# Chorley Council

## Code Of Corporate Governance



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# 1. BACKGROUND

1.1 The Council's vision is to make Chorley the place of choice to live, work and invest in the North - West.

1.2 Our priorities are set out in the Corporate Strategy as follows:

PRIORITY	PROSPERITY		PEOPLE		PLACE	PERFORMANCE
STRATEGIC OBJECTIVE	1. Put Chorley at the heart of regional economic development in the central Lancashire Sub-Region	2. Reduce pockets of inequality.	3. Get people involved in their communities	4. Improved access to public services.	5. Develop the character and feel of Chorley as a good place to live.	6. Ensure Chorley Borough Council is a performing organisation.

1.3 A sound system of corporate governance underpins the achievement of all the Council's strategic objectives but is key to ensuring that the Council is a performing organisation as it forms a significant element of the Comprehensive Performance Assessment (CPA) and Use of Resources assessment regimes.

1.4 In June 2006 CIPFA and SOLACE issued a consultation draft document entitled "Good Governance in Local Government: A Framework", under which the Council is urged to:

- develop and maintain an up-to-date **local code of governance** consistent with the core principles set out in this Framework, including arrangements for ensuring its ongoing application and effectiveness;
- **review its existing governance arrangements** against this Framework;
- prepare a **governance statement** in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

1.5 This local Code of Corporate Governance has been produced to show how Chorley Council will implement the core principles and detailed provisions of the new CIPFA SOLACE Framework and therefore ensure full compliance with it.

## 2. CORE PRINCIPLES

2.1 The following six core principles are taken from the Good Governance Standard developed by the Independent Commission on Good Governance in Public Services with support from OPM and CIPFA and have been adapted for local government purposes. Good governance means:

- (i) Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles
- (iii) Promoting the values of the authority and demonstrating the values of good governance through behaviour
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- (v) Developing the capacity and capability of members to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively
- (vi) Engaging with local people and other stakeholders to ensure robust local public accountability.

2.2 The above six core principles also have supporting principles which reflect the dimensions of a local authority's business. The following paragraphs illustrate the specific measures that Chorley Council is seeking to apply in order to comply with those principles:

### **Core principle**

**Focussing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**

### **Supporting principles**

- exercising leadership by clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users
- ensuring that users receive a high quality of service whether directly, or in partnership or by commissioning
- ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

### **To comply with the above principles, the Council will:**

- make a clear statement of the authority's purpose and vision and use it as basis for corporate and service planning and shaping the community strategy and local area agreement
- review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements
- publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance
- decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available. The authority must ensure that this information is reflected in its Corporate Strategy, medium term strategy and resourcing plan in order to ensure improvement
- decide how value for money is to be measured and make sure that it has the information needed to review value for money and performance effectively is available. Ensure that the results are reflected in the authority's performance plans and in reviewing the work of the authority
- put in place effective arrangements to deal with failure in service delivery
- when working in partnership ensure that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The vision should be :
  - supported by clear and measurable objectives with targets and indicators
  - the driver for deciding what services will be provided by or commissioned by the partnership, the quality and the cost.



## **Core principle**

### **Members and officers working together to achieve a common purpose with clearly defined functions and roles**

## **Supporting principles**

- ensuring effective leadership throughout the authority by being clear about executive and non executive functions and of the roles and responsibilities of the Overview and Scrutiny function
- ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
- ensuring relationships between the authority and the public are clear so that each know what to expect of the other.

### **To comply with the above principles, the Council will:**

- set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice
- set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers
- develop protocols to ensure effective communication between councillors and officers in their respective roles
- develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained
- set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel
- ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated
- when working in partnership :
  - ensure that there is clarity about the legal status of the partnership
  - ensure that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability
  - ensure that representatives or organisations make clear to all other partners the extent of their authority to bind their organisation to partner decisions
- ensure that effective mechanisms exist to monitor service delivery
- determine a scheme of delegated and reserved powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required
- ensure that effective management arrangements are in place at the top of the organisation
- make the Chief Executive responsible and accountable to the authority for all aspects of operational management
- make the Director of Finance responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control
- make the Monitoring Officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

## **Core principle**

### **Promoting the values of the authority and demonstrating the values of good governance through behaviour**

#### **Supporting Principles**

- ensuring council members and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance
- ensuring that organisational values are put into practice and are effective.

#### **To comply with the above principles, the Council will:**

- develop and maintain shared values including leadership values both for the organisation and its staff reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the authority
- use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority
- develop and adopt formal codes of conduct defining the standards of personal behaviour
- develop and maintain an effective Standards Committee which acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture.
- put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice
- put in place arrangements to ensure that their procedures and operations are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance in practice
- in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be 'alive' and demonstrated by partners' behaviour both individually and collectively.

## **Core principle**

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

#### **Supporting principles**

- exercising leadership by being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny
- having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs
- making sure that an effective risk management system is in place
- recognising the limits of lawful action and observing both the specific requirements of legislation and the general responsibilities placed on local authorities by public law, but also accepting responsibility to use their legal powers to the full benefit of the citizens and communities in their area.

#### **To comply with the above principles, the Council will:**

- develop and maintain an effective Overview and Scrutiny function which encourages constructive challenge and enhances the authority's performance overall
- develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

- put in place arrangements so that conflicts of interest on behalf of members and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice
- put in place arrangements for whistle blowing to which staff and all those contracting with the authority have access
- put in place effective transparent and accessible arrangements for dealing with complaints
- develop and maintain an effective Audit Committee which is independent of the executive and overview and scrutiny functions or make other appropriate arrangements for the discharge of these functions.
- develop and maintain an effective Standards Committee which lies at the heart of decision making and awareness raising on standards issues.
- ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications
- develop and maintain effective arrangements for determining the remuneration of senior staff
- ensure that professional advice on legal and financial matters is available and recorded well in advance of decision making and used appropriately when decisions have significant legal or financial implications
- ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their job.
- actively recognise the limits of lawful activity placed on the Council by the ultra vires doctrine but also strive to utilise its powers to the full benefit of the community
- observe all specific legislative requirements placed upon the Council, as well as the requirements of general law, and in particular to integrate the key principles of administrative law – rationality, legality and natural justice into its procedures and decision making
- when working in partnership, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation
- when working in partnership, ensure that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of the partnership
- when working in partnership, ensure that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners must ensure that:
  - the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well reasoned decisions are made
  - risk is managed at a corporate and operational level.

## **Core principle**

**Developing the capacity and capability of members to be effective and ensuring that officers - including the statutory officers - also have the capability and capacity to deliver effectively.**

## **Supporting principles**

- making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- encouraging new talent for membership of the authority so that best use can be made of resources in balancing continuity and renewal.

## **To comply with the above principles, the Council will:**

- assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively
- ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority
- provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis

- develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed
- put in place arrangements for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs
- put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority
- consider career structures for members and officers to encourage participation and development
- when working in partnership, ensure that partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level. The partnership should :
  - identify the capacity and capability requirements of the partnership
  - conduct an audit of the availability of the capacity and capability of the partnership and partners
  - develop an effective plan for addressing any gaps.

### **Core principle**

#### **Engaging with local people and other stakeholders to ensure robust local public accountability**

#### **Supporting principle**

- exercising leadership through a robust overview and scrutiny function which effectively engages local people and all local institutional stakeholders including partnerships, and develops constructive accountability relationships
- taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery
- making best use of resources by taking an active and planned approach to meet responsibility to staff.

#### **To comply with the above principles, the Council will:**

- make clear to itself, all staff and the community, to whom it is accountable and for what
- consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required
- establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively
- put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands
- establish a clear policy on the types of issues they will meaningfully consult or engage with the public and service users including a feedback mechanism for those consultees
- on an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period
- put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistle blowers, are in place
- develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making
- produce an annual report on Overview and Scrutiny function activity
- ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so
- when working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.

## 3. REVIEW OF ARRANGEMENTS

- 3.1 The CIPFA SOLACE Framework requires the Council to:
- consider the extent to which it complies with the principles and requirements of good governance set out in the Framework
  - identify systems, processes and documentation that provide evidence of compliance
  - identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
  - identify the issues that have not been addressed adequately in the authority and consider how they should be addressed
  - identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- 3.2 Commencing with the 2006/7 financial year, the Corporate Improvement Board has responsibility for conducting a detailed self-assessment of compliance with the above core principles and supporting principles. This includes the listing of documentary evidence to support the results. Much of the required evidence is taken from the following key systems and processes:
- Strategic and business planning;
  - Communication;
  - Performance management;
  - Risk management;
  - Value for money;
  - Probity;
  - Financial strategy;
  - Financial standing;
  - Financial management;
  - Asset management.
- 3.3 These are also the areas that the Audit Commission base their annual governance report upon.
- 3.4 The key officers involved in the self assessment are:
- Director of Customer Democratic & Legal Services (Monitoring Officer)
  - Director of Finance (Section 151 Officer)
  - Director of Policy & Performance
- 3.5 The Director of Customer Democratic and Legal Services has corporate responsibility for governance including oversight of compliance with the CIPFA SOLACE Framework and the process leading to the publication of the Annual Governance Statement.
- 3.6 Any significant non-compliance issues identified in the self-assessment process are disclosed within the Annual Governance Statement and fed into the business planning process. This means that they are subjected to systematic monitoring which in turn ensures their resolution.
- 3.7 The Annual Governance Statement is also reported to Strategy Group and Executive Cabinet at the respective chief officer and member levels. In addition, the Audit Committee has responsibility for oversight and scrutiny of governance matters written into its terms of reference. The overall reporting system for corporate governance is shown at Appendix 1. This also indicates that the Corporate Improvement Board acts as a conduit for any governance issues identified through external audit and inspection reports, including CPA and Use of Resources assessments.

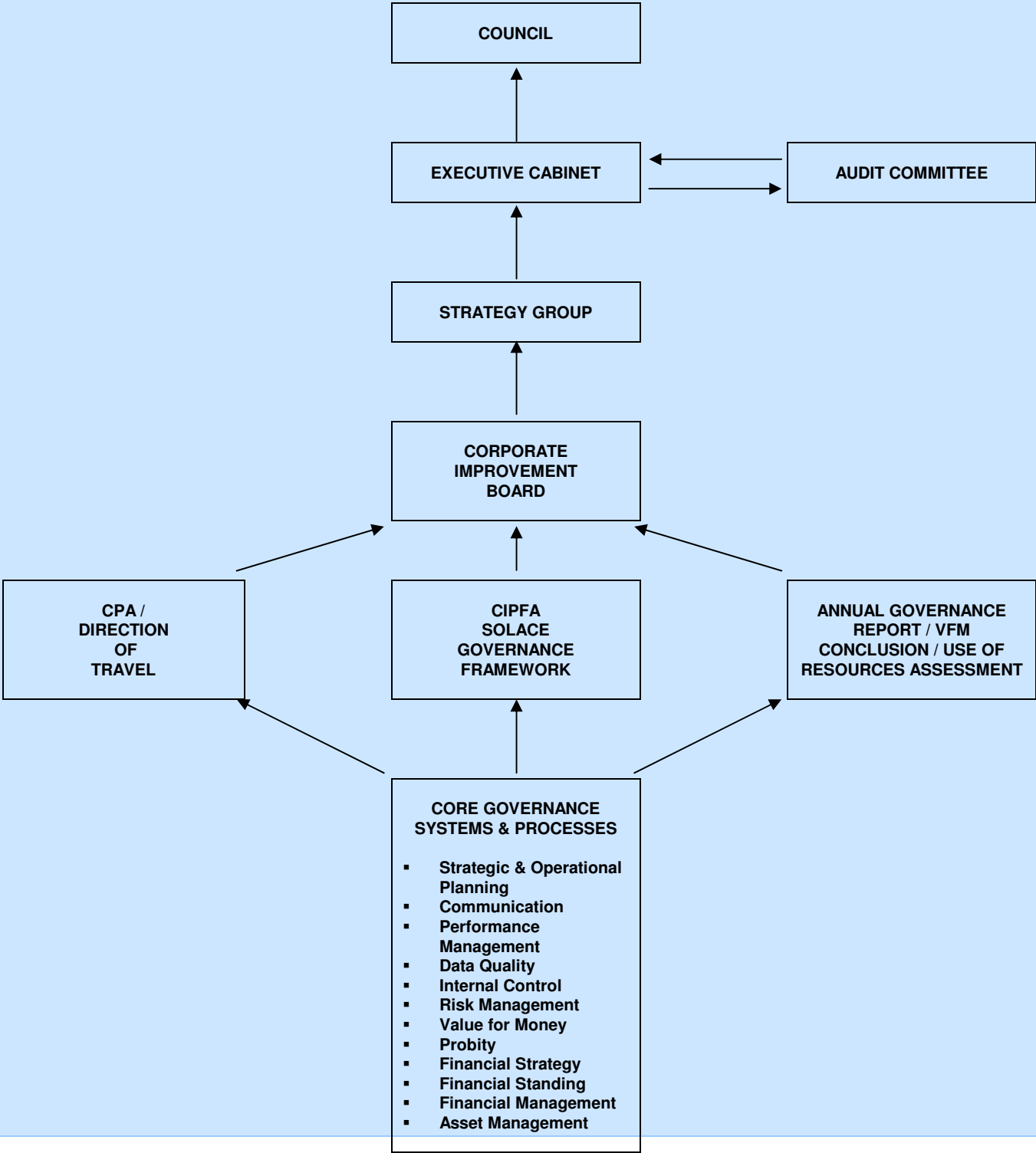
## 4. ANNUAL GOVERNANCE STATEMENT

- 4.1 The new CIPFA SOLACE Framework defines proper practice for the form and content of a governance statement that subsumes the requirement to prepare and publish a Statement on Internal Control (SIC). Regulation 4(2) of the Accounts and Audit Regulations 2003 requires a local authority to “conduct a review at least once in a year of the effectiveness of its system of internal control and .... include a Statement on Internal Control, prepared in accordance with proper practices....”. To meet the requirements of the Regulations it is mandatory to prepare a governance statement in accordance with this section.
- 4.2 The Council has therefore elected to publish an Annual Governance Statement rather than a Statement on Internal Control, using the CIPFA SOLACE pro forma governance statement as shown at Appendix 2, which includes the following information:
- an acknowledgement of responsibility for ensuring there is a sound system of governance, including in particular the system of internal control
  - an indication of the level of assurance that the systems and processes that comprise the authority’s governance arrangements can provide
  - a brief description of the key elements of the governance arrangements
  - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of: the authority; the executive; the audit committee/overview and scrutiny function/risk management committee/standards committee; internal audit and other explicit review/assurance mechanisms
  - an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.
- 4.4 The annual governance statement covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:
- the authority’s policies are put into place
  - the authority’s values are met
  - laws and regulations are complied with
  - required processes are adhered to
  - financial statements and other published information are accurate and reliable
  - human, financial and other resources are managed efficiently and effectively
  - high quality services are delivered efficiently and effectively.
- 4.5 It therefore covers performance issues – good governance promotes good service but poor service performance reflects a failure of governance. Consequently, approval and ownership of the governance statement should be at a corporate level and should be confirmed by the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) signing the statement on behalf of the authority.
- 4.6 The Leader and Chief Executive therefore sign the Annual Governance Statement on behalf of Chorley Council once the review and approval process (Appendix 1) has been followed.
- 4.7 The Annual Governance Statement will be approved by the Audit Committee and published with the financial statements so that the publication timetable for the financial statements drives the governance statement approval timetable.

## 5. DIRECTORATE ASSURANCE STATEMENTS

- 5.1 As Section 4 above indicates, before signing the Annual Governance Statement the Leader and Chief Executive will seek assurances that the review and approval process described in Appendix 1 has been followed. This ensures that the views of the statutory officers have been taken into account, and they have in turn sought the views of auditors (internal & external) and other inspectorates as to the adequacy and effectiveness of the Council's system of governance.
- 5.2 However in reviewing and approving the Annual Governance Statement, members will also require assurances on the effectiveness of the governance framework from managers across the Council, as it is they who are charged with embedding corporate governance systems within their directorates.
- 5.3 The Council has therefore adopted a system of Directorate Assurance Statements (Appendix 3) which are compiled on an annual basis to coincide with the production of the Annual Governance Statement. These require Directors to review the operation of a wide range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.
- 5.4 The Corporate Improvement Board is then charged with analysing the completed Directorate Assurance Statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the Directorate Assurance Statements will be included in the Annual Governance Statement itself.

### CORPORATE GOVERNANCE REPORTING ARRANGEMENTS





**PRO-FORMA ANNUAL GOVERNANCE STATEMENT**

**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 and for ensuring that there is a sound system of internal control which facilitates 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 *Good Governance in Local Government*. A copy of the 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 regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

**The purpose of the governance framework**

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

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 200x and up to the date of approval of the [annual report] and statement of accounts.

**The governance environment**

<p>Describe the key elements of the systems and process that comprise the authority's governance arrangements including arrangements for:</p> <ul style="list-style-type: none"> <li>• establishing and monitoring the achievement of the authority's objectives</li> <li>• the conduct of behaviour</li> <li>• the facilitation of policy and decision-making</li> <li>• ensuring compliance with established policies, procedures, laws and regulations</li> <li>• embedding risk management in the activity of the authority, including how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;</li> <li>• ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty;</li> <li>• the financial management of the authority and its financial reporting; and</li> <li>• the performance management of the authority and the reporting of performance management.</li> </ul>
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**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.

Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role of:

- the authority
- the executive
- the audit committee/overview and scrutiny committees/risk management committee
- the standards committee
- internal audit
- other explicit review/assurance mechanisms.

I/we have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive/audit committee/overview and scrutiny committee/risk management committee (*amend list as appropriate*), and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Significant governance issues**

[Include an outline of the actions taken, or proposed, to deal with significant governance and internal control issues.]

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 & Chief Executive on behalf of [the authority]

**DIRECTORATE GOVERNANCE ASSURANCE STATEMENT**

*Chorley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, members and senior officers are responsible for establishing a sound system of governance.*

*As Director, I have responsibility to enforce the system of governance within my Directorate to ensure that it supports the achievement of the Directorate's and therefore the Council's objectives.*

*When discharging my responsibility for reviewing the effectiveness of the system of governance operating within the Directorate, I have taken into account the following:*

- *The adequacy and effectiveness of management review processes;*
- *Outcomes from risk assessments ;*
- *Relevant self-assessments of key service areas within the Directorate;*
- *Relevant internal audit reports and the implementation of recommendations made by the Audit & Risk Service; and*
- *Outcomes from reviews by other bodies including external and statutory inspectorates and the external auditors.*

*I am satisfied that, except for the specific matters arising in the attached schedule, a sound system of governance has been in place throughout the year ended 31 March 2007 and is ongoing.*

*I also propose to take steps to address the matters arising to enhance the Directorate's system of governance and I will be monitoring their implementation and operation on an ongoing basis.*

Signed:

Date:

Director of:

	AREAS OF GOVERNANCE	SCORE (1,2 or 3)	KEY TO SCORES	COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)	EVIDENCE (IF SCORED 2 or 3)
<b>1</b>	<b>STRATEGIC / BUSINESS PLANNING</b>				
1.1	A Business Improvement Plan (BIP) for 2006/7 has been prepared and managed in accordance with the corporate BIP guidance.		<p>1. A BIP has not been produced. In accordance with corporate guidance.</p> <p>2. A compliant BIP has been produced but not effectively managed to improve performance.</p> <p>3. A compliant BIP has been produced and actively managed to improve performance.</p>		
1.2	The Council's Project Management Toolkit has been applied to all the Directorate's key business projects in the Corporate Strategy, including capital developments.		<p>1. It has not been applied to any key business projects.</p> <p>2. It has only been applied to some key business projects.</p> <p>3. It has been applied to all key business projects.</p>		
1.3	All partnering arrangements have been managed in accordance with the Councils Partnership Working.		<p>1. No partnering arrangements have been managed in accordance with the Framework.</p> <p>2. Some partnering arrangements have been managed in accordance with the Framework.</p> <p>3. All Partnering arrangements have been managed in accordance with the Framework and sound governance / risk management arrangements are in place for all <u>key</u> partnerships.</p>		

	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
<b>2</b>	<b>COMMUNICATION</b>				
2.1	The Directorate has established feedback mechanisms with service users and other stakeholders including partners to ensure that key messages about services are obtained and taken into account.		<p>1. No feedback mechanisms are in place</p> <p>2. Feedback mechanisms are in place but are not systematically used to improve services</p> <p>3. Feedback mechanisms are in place and are systematically used to improve services</p>		
<b>2.2</b>	The Corporate Team Briefing process has operated effectively within the Directorate.		<p>1. Team briefing doesn't take place every month</p> <p>2. There are areas of the Directorate where team briefing does not take place every month</p> <p>3. Team briefing takes place throughout the Directorate every month</p>		
<b>3</b>	<b>PERFORMANCE MANAGEMENT</b>				
3.1	The Directorate has monitored progress against its BIP on a quarterly basis.		<p>1. Progress against plan is not regularly monitored</p> <p>2. Progress monitoring only takes place on an ad-hoc basis or does not drive / initiate corrective action.</p> <p>3. Progress is monitored at least quarterly and any significant variances against service objectives, standards or targets have been identified, reported to members and appropriate action taken where necessary</p>		

	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
3.2	The corporate staff appraisal system has operated effectively during the year.		<p>1. Not all staff have had a performance appraisal within the last 12 months.</p> <p>2. All staff have had a performance appraisal but regular monitoring of progress against personal objectives &amp; targets does not take place.</p> <p>3. All staff have participated in the annual and interim performance appraisal interviews and there is regular monitoring of progress against personal objectives &amp; targets.</p>		
3.3	Staff Personal Development Plans (PDP's) are up to date and copies have been sent to Human Resources		<p>1. No up to date PDP's have been submitted to HR within the last 12 months.</p> <p>2. Only some PDP's are up to date and / or have been submitted to HR in the last 12 months.</p> <p>3. All PDP's are up to date, have been submitted to HR and are actively managed to drive staff development.</p>		
<b>4</b>	<b>DATA QUALITY</b>				
4.1	The Directorate has effective procedures for the calculation / collection and publication of all its <b>BVPI and other performance data.</b>		<p>1. The Directorate has not produced written procedures.</p> <p>2. Written procedures have been produced but they have not been communicated to key staff and/or their correct application is not strictly monitored.</p> <p>3. All relevant members of staff understand and apply the arrangements to ensure that data is as properly checked before input to Performance Plus and to ensure the accuracy and timeliness of all the reported / published performance information.</p>		

	AREAS OF GOVERNANCE	SCORE (1,2 or 3)	KEY TO SCORES	COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)	EVIDENCE (IF SCORED 2 or 3)
<b>5</b>	<b>INTERNAL CONTROL</b>				
5.1	Agreed Recommendations by relevant inspectorates, auditors and other review agencies have been implemented within the agreed timescales		<p>1. Review agency recommendations are not systematically captured or monitored to ensure their timely implementation.</p> <p>2. A mechanism to capture and address recommendations is in place but this does not operate effectively.</p> <p>3. The Directorate has a mechanism to capture and address recommendations and can demonstrate that they are implemented within agreed timescales.</p>		
5.2	All members of staff have been made aware of the Council's Financial Procedure Rules and Contracts Procedure Rules.		<p>1. The Directorate / Chief Officer responsibilities contained in FPR's and CPR's have not been communicated to members of staff.</p> <p>2. Directorate responsibilities have been communicated to staff but those with particular delegations have not been made aware of their specific responsibilities.</p> <p>3. Directorate responsibilities have been communicated to staff and those with particular delegations have been made aware of their specific responsibilities.</p>		

	AREAS OF GOVERNANCE	SCORE (1,2 or 3)	KEY TO SCORES	COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)	EVIDENCE (IF SCORED 2 or 3)
<b>6</b>	<b>RISK MANAGEMENT</b>				
6.1	The risk management procedure contained in the corporate project management toolkit has been applied to all the Directorate's key business projects.		<p>1. No form of risk assessment has been conducted on any of the Directorate's key business projects.</p> <p>2. The Directorate's business plans have been risk assessed but the procedure in the corporate project management toolkit has not been applied.</p> <p>3. The RM procedure within the project management toolkit has been applied to all the Directorate's key business projects</p>		
6.2	Joint risk registers have been compiled for key partnerships and partnering arrangements. (See also 1.3)		<p>1. Joint risk registers have not been compiled for any key partnerships.</p> <p>2. Joint risk registers are not in place for some key partnerships and / or not being actively managed to address the risk issues identified</p> <p>3. Joint risk registers have been compiled for key partnerships and partnering arrangements and are actively managed to address the risk issues identified</p>		
6.3	Directorate Business Continuity Plans (BCPs) are in place.		<p>1. The Directorate does not have a BCP</p> <p>2. The Directorate has a BCP but it is not up to date.</p> <p>3. The BCP is up to date and all relevant staff have been made aware of their responsibilities to react in the case of a business emergency in order to resume services as quickly as possible.</p>		



	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
6.4	Corporate Health & safety policies and procedures are being complied with.		<p>1. The extent to which Corporate Health &amp; safety policies and procedures are being complied with is unclear.</p> <p>2. Directorate H&amp;S records, including risk assessments are not up to date and some staff may be unaware of the H&amp;S incident reporting procedure.</p> <p>3. Directorate H&amp;S records, including risk assessments are up to date. There are no outstanding issues from H&amp;S audits or inspections &amp; staff are aware of the H&amp;S incident reporting procedure.</p>		
<b>7</b>	<b>VALUE FOR MONEY</b>				
7.1	The Directorate achieves value for money in the use of its resources.		<p>1. The Directorate cannot show that it achieves VFM.</p> <p>2. The Directorate can provide some examples of how it provides VFM.</p> <p>3. The Directorate can demonstrate fully that it achieves VFM by means of comparative data, benchmarking and reviewing of high spending areas.</p>		
7.2	All procurement activity has been undertaken in accordance with the Councils procurement policy framework.		<p>1. No staff within the Directorate are aware of the corporate procurement policy framework.</p> <p>2. Only some staff within the Directorate aware of the corporate framework and/or it is not used a continuous point of reference when procuring goods and services</p> <p>3. The Directorate is actively procuring goods and services in accordance with the corporate procurement framework. All contracts have been entered into the appropriate register</p>		

	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
<b>8</b>	<b>PROBITY</b>				
8.1	All members of staff are complying with the Officers' Code of Conduct.		<ol style="list-style-type: none"> <li>1. Staff are generally unaware of the Officers' Code of Conduct.</li> <li>2. Staff are generally aware of the Officers' Code of Conduct but are unclear of its precise requirements.</li> <li>3. All members of staff are aware of the Officers' Code of Conduct including the need to disclose personal interests or offers of gifts and hospitality in the appropriate register.</li> </ol>		
8.2	All members of staff are complying with the Council's Whistle Blowing Policy		<ol style="list-style-type: none"> <li>1. Staff are generally unaware of the Whistle Blowing Policy.</li> <li>2. Staff are generally aware of the Whistle Blowing Policy but are unclear of its precise requirements.</li> <li>3. All members of staff are aware of the Council's Whistle Blowing Policy and know whom to contact and how to make a disclosure.</li> </ol>		
8.3	All members of staff are complying with the Council's Anti-Fraud and Corruption Strategy		<ol style="list-style-type: none"> <li>1. Staff are generally unaware of the Anti-Fraud &amp; Corruption Strategy.</li> <li>2. Staff are generally aware of the Anti-Fraud &amp; Corruption Strategy but are unclear of its precise requirements.</li> <li>3. All members of staff are aware of the Anti Fraud and Corruption Strategy and know whom to contact if they suspect that fraud, corruption or other irregularities have occurred.</li> </ol>		

	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
<b>9</b>	<b>FINANCIAL MANAGEMENT</b>				
9.1	The Directorate monitors its budget on a regular basis.		<p>1. The Directorate does not monitor its budget on a sufficiently regular basis.</p> <p>2. The Directorate does monitor its budget on a regular basis but does not analyse variances and initiate proactive corrective action.</p> <p>3. The Directorate has monitored its budget on a regular basis to identify any significant variances. Appropriate action has been taken to avoid exceeding budget allocations and the Director of Finance has been alerted to any significant problems.</p>		
9.2	Purchase orders have been raised for all items of expenditure		<p>1. There are many items of expenditure without a corresponding purchase order</p> <p>2. There are some items of expenditure without a corresponding purchase order</p> <p>3. There are no items of expenditure without a corresponding purchase order</p>		
9.3	All income is collected and expenditure is processed in accordance with corporate systems and control arrangements.		<p>1. There are financial processes operating locally which are outside corporate control systems have not been audited and approved as being fit for purpose.</p> <p>2. There are financial processes operating locally which are outside corporate control systems have been audited and approved as being fit for purpose.</p> <p>3. All income is collected and expenditure is processed in accordance with corporate control arrangements.</p>		

	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
<b>10</b>	<b>ASSET MANAGEMENT</b>				
10.1	Asset Registers / Inventories have been compiled and maintained in accordance with corporate procedures.		<p>1. The Directorate does not have an Asset Register / Inventory.</p> <p>2. The Directorate has an Inventory but it is not up to date.</p> <p>3. The Directorate has an up to date Inventory Register in place.</p>		
<b>11</b>	<b>INFORMATION MANAGEMENT</b>				
11.1	Computer systems and data are kept secure.		<p>1. Staff regularly remain logged onto the network whenever they leave their workstation and / or share their passwords with others.</p> <p>2. Staff sometimes remain logged onto the network whenever they leave their workstation and / or share their passwords with others.</p> <p>3. Staff always log-off the network when they leave their workstation. Passwords are never shared or made available to others.</p>		

	<b>AREAS OF GOVERNANCE</b>	<b>SCORE (1,2 or 3)</b>	<b>KEY TO SCORES</b>	<b>COMMENTS / ACTION REQUIRED (IF SCORED 1 or 2)</b>	<b>EVIDENCE (IF SCORED 2 or 3)</b>
11.2	All staff comply with the Council's Internet and E-Mail Acceptable Use Policy.		<p>1. A significant number of staff who have access to the corporate computer network have not read and signed the Council's Internet and E-Mail Acceptable Use Policy.</p> <p>2. All staff who have access to the corporate computer network have read and signed the Council's Internet and E-Mail Acceptable Use Policy. However the Directorate cannot demonstrate that staff are complying with it.</p> <p>3. All staff who have access to the corporate computer network have read and signed the Council's Internet and E-Mail Acceptable Use Policy. The Directorate can also demonstrate that staff are complying with it.</p>		
11.3	All staff have been made aware of their general responsibilities in relation to the Data Protection Act and Freedom of Information Act.		<p>1. A significant number of staff have not attended corporate training / briefing on DPA or FOI.</p> <p>2. Only some staff have attended corporate training and / or are unclear of their responsibilities in relation to DPA or FOI.</p> <p>3. All members of staff have attended corporate training and are clear of their responsibilities in relation to DPA or FOI.</p>		

## **NOTES TO THE DIRECTORATE GOVERNANCE ASSURANCE STATEMENT**

The Council is required to publish an Annual Governance Statement alongside its financial statements which must be signed by the Leader and Chief Executive on behalf of the authority. This Statement must include any significant areas of weakness and action plans to address such weaknesses.

The requirements of the Council with regard to governance are set out in guidance published by CIPFA and SOLACE and the Corporate Improvement Board are charged with conducting a detailed self-assessment of the extent to which the Council complies with this guidance.

In addition to the corporate self-assessment, assurance is also sought from chief officers, as it is they who are responsible for implementing the respective governance systems and procedures within their directorates.

The Council has therefore introduced Directorate Assurance Statements, which need to be compiled on an annual basis to coincide with the production of the Annual Governance Statement. These require Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues.

The Corporate Improvement Board will analyse the completed Directorate Assurance Statements to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Any significant non-compliance issues emerging from the Directorate Assurance Statements will be included in the Annual Governance Statement itself.

### **AREAS OF GOVERNANCE**

This column lists the specific governance related procedures and measures which should be in place within Directorates. These are requirements laid down in a range of corporate policies and also form the basis of the annual review of governance by the Audit Commission.

### **SCORES / KEY TO SCORES**

You should insert a score of 1,2 or 3 using the key column as a source of reference. The key column may not describe the situation / arrangements exactly as they operate within your Directorate, nevertheless the "best fit" should be selected.

### **COMMENTS / ACTION REQUIRED**

Where you have evaluated arrangements as weak (a score of 1 or 2) you should identify here what the specific non-compliance issues are together with planned actions to improve control. These actions should feed into the Directorate Business Improvement Plan (BIP).

### **EVIDENCE**

Where you have evaluated arrangements as strong (a score of 2 or 3) you should record the supporting documentation and other evidence in this column and be made available for audit and inspection purposes.