



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
29th June 2017	
9:30am	<u>Public</u>

## REVIEW OF SHROPSHIRE COUNCIL'S CODE OF CORPORATE GOVERNANCE 2016/17

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### 1. Summary

Shropshire Council is committed to the principles of good corporate governance. The attached review of Shropshire Council's Code of Corporate Governance has been compiled on the basis of guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) in their document "Delivering Good Governance in Local Government - a framework" (2016) and identifies how, as a Council, we achieved effective corporate governance in 2016/17. Compliance with our Governance Code supports the Council's review of the effectiveness of its system of internal controls as required by the Accounts and Audit Regulations 2015 3 and 6 (Part 2). This in turn informs the Annual Governance Statement which accompanies the Annual Statement of Accounts, signed by the Leader of the Council and the Head of Paid Service.

### 2. Recommendations

The Committee is asked to consider and approve, with appropriate comment, the Internal Audit conclusion that the Council has strong evidence of compliance with the Code of Corporate Governance. The detailed code, incorporating evidence, is contained in **Appendix A**.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 Corporate Governance is part of the overall internal control framework and contributes to the Council's strong governance arrangements.

- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 3.3 There are no environmental consequences of this proposal and consultation has been used to inform the review of the Code of Corporate Governance by seeking assurances and evidence from senior officers as to the effectiveness of internal controls and governance processes.

#### **4. Financial Implications**

- 4.1 There are no financial implications arising from this report.

#### **5. Background**

- 5.1 In April 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) issued their document “Delivering Good Governance in Local Government: a Framework”. This superseded the document produced in 2007 and councils have been strongly encouraged to include its principles in their own code of governance.
- 5.2 The Audit Committee’s terms of reference include a requirement to review and report on the adequacy of the Council’s Corporate Governance arrangements. This report looks at the Corporate Governance arrangements we had in place for last year to enable the Audit Committee to deliver its year end assurance report.
- 5.3 The Shropshire Council Code of Governance forms part of the Constitution. Internal Audit have completed a review of the code and examined the relevant evidence to assess whether the Council has followed its adopted code of governance.
- 5.4 The 2016 CIPFA/SOLACE guidance entitled “Delivering Good Governance in Local Government” contains seven principles, each of which is supported by sub-principles to provide a governance framework. The guide identifies best practice for authorities to adopt when establishing their own local Code of Corporate Governance. Shropshire Council’s Code of Corporate Governance is based entirely on this guidance.
- 5.5 This new framework is intended to assist authorities individually in reviewing and accounting for their own unique approach to governance. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.
- 5.6 The Shropshire Council Code of Corporate Governance is based on the following seven principles, the first two of which underpin the remaining five with the overall aim of “Achieving the intended outcomes while acting in the public interest at all times”.

Acting in the public interest requires a commitment to and effective arrangements for:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.

In addition to the overarching requirements for acting in the public interest in principles one and two, achieving good governance also requires commitment to and effective arrangements for:

- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.7 Under each of the seven principles and their sub-principles the audit review of the code shown at **Appendix A** demonstrates how we address and meet these principles in accordance with the best practice identified by CIPFA/SOLACE.

5.8 The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit independently reviews the governance process. In conducting the review, evidence is collated from prime documents and, following discussions with and statements from key officers, this information is compared to known results of Internal Audit reviews. The assurance is then circulated publically through Audit Committee which allows for further member and officer challenge. The results of this review are included in the Head of Audit's annual report and will form part of the overall assurance for the Annual Governance Statement.

5.9 On a practical basis, the Code contains a corporate governance map defining our framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire. This is felt to be a very useful way of illustrating how the Council achieves good corporate governance.

## 6. Conclusion

6.1 The Council's formally adopted Code of Corporate Governance is compliant with CIPFA/SOLACE guidance. The Code was reviewed to determine whether the Council complied with the approved Code of Corporate

Governance; the evidence in **Appendix A** demonstrates strong compliance and no material breaches of the Code were identified.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

CIPFA / SOLACE: Guidance Note – Delivering Good Governance in Local Government – Framework.

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

CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012

CIPFA/ SOLACE: Delivering Good Governance in Local Government Framework 2016 edition

CIPFA/ SOLACE: Delivering Good Governance in Local Government Guidance notes for English Authorities 2016 edition

**Cabinet Member (Portfolio Holder)**

Peter Nutting, Leader of the Council, and Peter Adams, Chairman of Audit Committee.

**Local Member**

All Members.

**Appendices**

Appendix A – Code of Corporate Governance.