

**Audit Committee – 23<sup>rd</sup> September 2010**

**Report of the Treasurer**

**Terms of Reference of the Audit Committee**

**Purpose of Report**

1. To note that the Terms of Reference of the Audit Committee have been amended to ensure that the Council has a designated Committee dealing with corporate governance.

**Background**

2. The Head of Audit noted that CIPFA guidance recommended that “Responsibility for overseeing corporate governance is formally delegated to an appropriate committee”. When reviewing the Constitution it was noted that no formal delegation had been made. Rather, there were two Committees dealing with corporate governance :-

Standards Committee – Code of Corporate Governance  
Audit Committee – Annual Governance Statement

3. To rectify the situation the Director of Corporate Resources took a report to full Council on the 19<sup>th</sup> July in which he explained that the Standards Committee had recently approved a revised Code of Corporate Governance and asked full Council to approve the Code. He also included the following paragraph ;

“The Audit Committee currently deals with the Council’s Annual Governance Statement and it is recommended that it would be more appropriate in future for the Code of Corporate Governance to also be dealt with by the Audit Committee. To give effect to this proposal, Part 3 of the Constitution (Responsibility for Functions) will need to be amended to provide for the Audit Committee being responsible for Corporate Governance arrangements. Any future amendments to the Code will, of course, be published in the Council’s Constitution once approved by the Audit Committee. “

Council approved the revised Code of Corporate Governance and the amendment to the terms of reference of the Audit Committee which now includes :-

“Determination of all necessary action associated with the Council’s Corporate Governance arrangements.”

4. Attached at Appendix A is the introduction to the Code of Corporate Governance and this gives background information on the subject of governance.
5. It is proposed that any significant governance issues are reported to Audit Committee in the Interim Performance Reports scheduled for the February and September meetings of the Audit Committee. Any proposed revisions to the Code of Corporate Governance would be included in these reports.

### **Finance**

6. There are no direct financial implications arising from this report.

### **Law**

7. The relevant statutory provisions regarding the Constitution are contained in Part II of the Local Government Act 2000, as amended by the Local Government Public Involvement in Health Act 2007, together with Regulations, Orders and Statutory Guidance issued by the Secretary of State.

### **Equality Impact**

8. This report does not raise any equal opportunities issues.
9. Children and young people were not consulted on, or involved, with the preparation of this report.

### **Recommendation**

10. That Members note the contents of this report.



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**Iain Newman**  
**Treasurer**

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## Appendix A

### Code of Corporate Governance

#### Introduction

In 2001, CIPFA/SOLACE produced a framework for good governance which was based around the Cadbury and Nolan Reports. Dudley subsequently issued its own Code of Corporate Governance based around the CIPFA/SOLACE model.

CIPFA/SOLACE issued a revised framework in July 2007 and in their guidance note they suggest that since the first framework was published, local government has been subject to continued reform intended to improve local accountability and engagement. They further suggest that over the next few years local government will need a strong governance framework to be able to cope with a range of pressures including the need to deliver extensive change and meet rising expectations on quality and responsiveness of services.

The guidance also states that :-

“Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.”

“Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.”

“It comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”

The revised governance framework is based around six core principles of good governance drawn up by the Independent Commission on Good Governance in Public Services which was established by CIPFA and the Office for Public Management in partnership with the Joseph Rowntree Foundation.

The six core principles are as follows :-

1. Focusing on the purpose of the authority and on outcomes for the community 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 values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective

6. Engaging with local people and other stakeholders to ensure robust accountability

For each of the six core principles, CIPFA/SOLACE have issued “supporting principles” together with examples of how any local code of governance should reflect each core principle. Detailed below is a suggested revised draft for our Code of Corporate Governance.

CIPFA/SOLACE guidance also includes a successor the Statement of Internal Control [SIC], the Annual Governance Statement [AGS]. The conceptual format of the AGS is not that different from the SIC in that you are required to cover the :-

- a. Scope of responsibility
- b. Purpose of the governance framework
- c. Governance framework
- d. Review of effectiveness
- e. Significant governance issues

CIPFA envisage that work on the governance statement will be co-ordinated by a designated working group of the authority, which would report its findings to the designated committee of the authority. In Dudley we have established a Corporate Governance Group which will assist in co-ordinating evidence gathering and production of the AGS before it is submitted to the Audit Committee for approval. Like the SIC the AGS will then be signed by the Chief Executive and Leader of the Council. A separate report has been prepared on the way forward with the AGS.