

PART 4

4.4 Code of Corporate Governance

CODE OF CORPORATE GOVERNANCE

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1. What we mean by Governance

- 1.1 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2 It comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.
- 1.3 As with all Local Authorities, the Council operates through a governance framework. This is an inter-related system that brings together an underlying set of legislative requirements, governance principles and management processes which operate across the Council.
- 1.4 The governance framework must conform to principles of good governance and the Code of Corporate Governance aims to demonstrate how the Council does this.
- 1.5 The Council concurs with the view 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 ... and governance arrangements should not only be sound but also be seen to be sound”.
- 1.6 The Code of Corporate Governance has been developed in accordance with, and is consistent with, the Delivering Good Governance in Local Government Framework 2016 published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

2. Core Principles of Good Governance

- 2.1 The core governance principles of the Council are:
 - (a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

- (b) Ensuring openness and comprehensive stakeholder engagement;
- (c) Defining outcomes in terms of sustainable economic, social and environmental benefits;
- (d) Determining the interventions necessary to optimise the achievement of the intended outcomes;
- (e) Developing the Council’s capacity, including the capability of all of its officers and councillors for leadership; and
- (f) Managing risks and performance through robust internal control and strong public financial management.

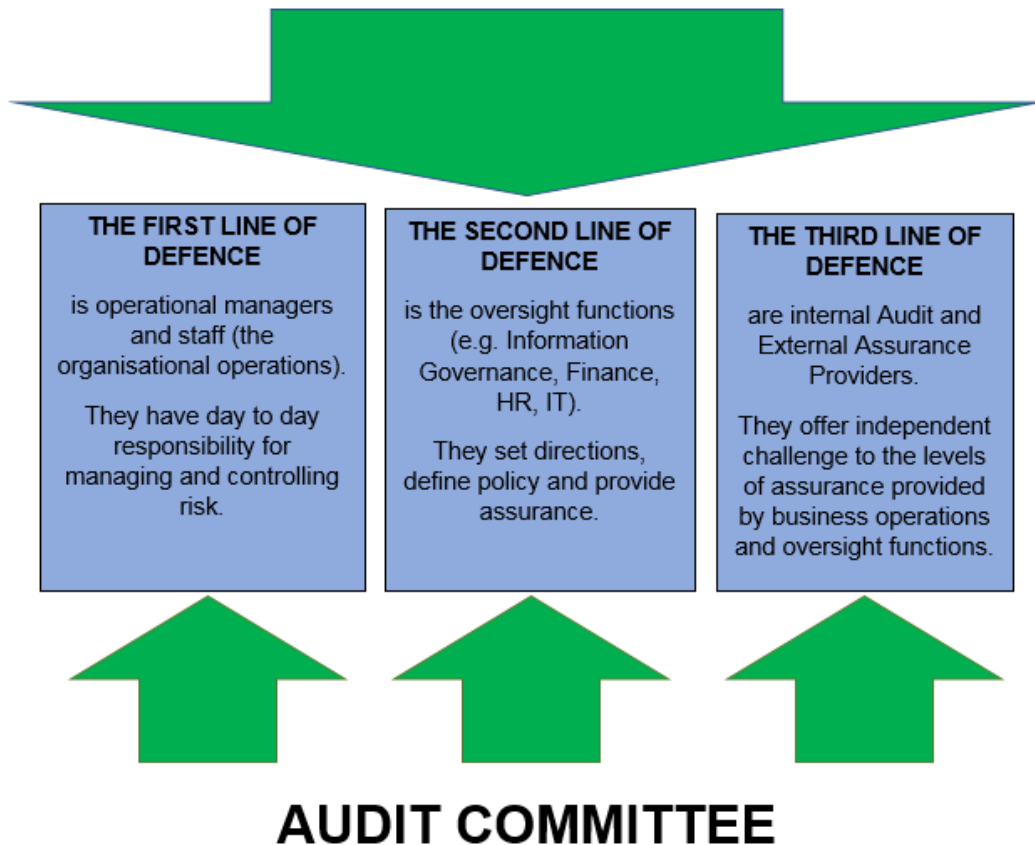
2.2 These principles are illustrated in the following diagram: (from CIPFA/SOLACE)



3. Applying the Core Principles of Good Governance

- 3.1 The 'three lines of defence' model has been used as the primary means to demonstrate structure, roles, responsibilities and accountabilities for decision making, risk and control in order to achieve effective governance and assurance.
- 3.2 A robust governance framework is essential in order for the Council to maximise the opportunities and meet the constant challenges arising from, for example, changes in methods of service delivery, relationships with partners and suppliers, economic circumstances and changes in legislation. It is also needed to sustain a good relationship and communication between management, Internal Audit and the Audit Committee.
- 3.3 **First Line Of Defence** – The Council is responsible for ensuring that a risk and control environment is established as part of day-to-day operations. Operational managers are responsible for, and thus should be adequately skilled in, making risk assessments (including proactive review, update and modification). The first line of defence provides management assurance, and informs the Audit Committee by identifying risks and organisational improvement actions, implementing controls, and reporting on progress.
- 3.4 **Second Line of Defence** – The Council's Oversight Functions hosted by Corporate Services are responsible for designing policies, setting direction, introducing best practice, ensuring compliance and providing assurance oversight for the Corporate Leadership Team and Councillors.
- 3.5 **Third Line of Defence** – Independent assurance providers, such as Internal Audit and External Audit, help the Council by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. This entails independent challenge, audit of key controls, formal reporting on assurance, and the audit of assurance providers' controls.
- 3.6 All three lines of defence have specific tasks in the internal governance framework. The Audit Committee has a role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes as well as internal audit activities.

THE THREE LINES OF DEFENCE FOR GOOD GOVERNANCE



4 Annual Governance Statement

- 4.1 Each year the Council will carry out a review of its governance arrangements to ensure compliance with this Code and the delivery of good governance and current good practice. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively, or to identify action that is planned to ensure effective governance in the future.
- 4.2 The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader and Joint Chief Executive (Head of Paid Service). It will be submitted to the Audit Committee for consideration and review.
- 4.3 The preparation and publication of the Annual Governance Statement will meet the statutory requirement of the Accounts and Audit Regulations which requires Authorities to conduct a review at least once a year of the

effectiveness of their systems of internal control, to prepare a Governance Statement in accordance with proper practices, and for the Statement to accompany the Council's Statutory Statement of Accounts.

- 4.4 The Annual Governance Statement will include a commentary on how the County Council is meeting the principles of the CIPFA / SOLACE Framework. This will set out what the Council has achieved during the financial year, current issues and actions to be taken.
- 4.5 To reflect the 'three lines of defence' model, the Annual Governance Statement will also include assurance statements on governance, Finance, IT, and HR from various officers representing the oversight functions, as well as the annual audit opinion from the Head of Internal Audit.