

The Report of the Audit Committee

The Audit Committee met on 27 June 2013. Present:- County Councillor Andrew Backhouse (in the Chair); County Councillors Margaret Atkinson, Eric Broadbent, David Chance, Jim Clark, Patrick Mulligan and Stuart Parsons; and Mr David Portlock (External Member).

1. Local Code of Corporate Governance: A range of key governance documents were considered by the Audit Committee on 27 June 2013, including the Local Code of Corporate Governance. The revised Local Code is appended and is consistent with statute, guidance and good practice. The revised Local Code is recommended to the County Council for formal approval.

The Local Code is a statement of the principles that the County Council will apply in its corporate governance framework. It also describes key components of that framework and how they will be monitored and reviewed.

The Local Code is compatible with the Annual Governance Statement (AGS). The AGS describes in detail the actual processes in place and the activity undertaken in the year relating to corporate governance. The AGS is required, by legislation, to accompany the Statement of Financial Accounts which must be formally approved by 30 September in the subsequent financial year. The Audit Committee has delegated power to approve both the Statement of Financial Accounts and the AGS. The Committee is scheduled, on 26 September 2013, formally to approve the 2012/13 AGS and the Statement of Financial Accounts for 2012/13, having considered both documents in draft at earlier meetings.

The Audit Committee RECOMMENDS:

That the revised Local Code of Corporate Governance, as set out in the Appendix to this report, be approved.

ANDREW BACKHOUSE
Chairman

County Hall,
NORTHALLERTON.

16 July, 2013



North

Yorkshire County Council

Local Code of Corporate Governance

May 2013

Contents

| Section | | Page |
|----------------|--|-------------|
| 1 | Introduction | 3 |
| 2 | Policy Statement on Corporate Governance | 4 |
| 3 | The Six Principles of Corporate Governance | 4 |
| 4 | Corporate Governance Arrangements | 5 |
| 5 | Monitoring, Reporting and Review | 12 |
| 8 | Contact details and further information | 14 |
| Appendix | Diagrammatic representation | 15 |

1.0 INTRODUCTION

- 1.1 Corporate governance is the system by which a local authority directs and controls its functions and relates to the community it serves. It is therefore a framework of policies, management systems, procedures and structures that together, determine and control the way in which a local authority manages its business, determines its strategies and objectives, and sets about delivering its services to meet those objectives for the greater good of its community. This naturally extends to how the organisation accounts to, engages with and, where appropriate, leads its community.
- 1.2 On this basis, the principles of good corporate governance require a local authority to undertake its functions in a way that is completely open and inclusive of all sectors of the community, demonstrates the utmost integrity in all its dealings, and is fully accountable to the public it serves.
- 1.3 North Yorkshire County Council is committed to demonstrating good corporate governance. This Code sets out what the governance arrangements are, and who is responsible for them within the County Council. It also explains how the arrangements will be kept under review and monitored for compliance.
- 1.4 The Code also expresses how the County Council will seek to conduct its business in a way that demonstrates -
- **Openness and Inclusivity** – which is necessary to ensure that stakeholders can have confidence in the decision-making and management processes of the County Council, and the role of the Members and Officers therein. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to effective and timely action and lends itself to necessary scrutiny. Openness also requires an inclusive approach, which seeks to ensure that all stakeholders, and potential stakeholders, have the opportunity to engage effectively with the decision-making processes and actions of the County Council. It requires an outward looking perspective and a commitment to partnership working, that encourages innovative approaches to consultation and to service provision
 - **Integrity** – is necessary for trust in decision making and actions. It is based upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of the County Council's affairs. It is dependent on the effectiveness of the internal control framework and on the personal standards and professionalism of both Members and Officers. It is reflected in the County Council's decision-making procedures, in its service delivery and in the quality of its financial and performance reporting
 - **Accountability** - is the process whereby Members and Officers within the County Council are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles expressed through a robust and resilient structure

2.0 POLICY STATEMENT ON CORPORATE GOVERNANCE

- 2.1 The Policy of the County Council is to incorporate the principles of Corporate Governance into all aspects of its business activities to ensure that stakeholders can have confidence in the decision-making and management processes of the authority, and in the conduct and professionalism of its Members, Officers and agents in delivering services. To this end, the County Council will report annually on its intentions, performance and financial position, as well as on the arrangements in place to ensure good governance is always exercised and maintained.
- 2.2 These principles reflected in this Policy will also be applied to the North Yorkshire Pension Fund and any company in which the County Council has a substantive equity holding.

3.0 THE SIX PRINCIPLES OF CORPORATE GOVERNANCE

- 3.1 There are six core principles that should underpin governance arrangements within a local authority. These are defined as follows -
- focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - developing the capacity and capability of Members and Officers to be effective
 - engaging with local people and other stakeholders to ensure robust public accountability
- 3.2 This Code addresses these six core principles and describes the systems and processes that support these in the County Council. In addition the Code reflects how the County Council addresses the requirements of the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* (2010)
- 3.3 The Code also explains how the County Council intends to monitor and review the corporate governance arrangements defined in this Code including compliance with the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* (2010).
- 3.4 A diagrammatic representation of how this Code fits into the management process of the County Council is attached as **Appendix A**.

4.0 CORPORATE GOVERNANCE ARRANGEMENTS

Core Principle 1 : Focussing on the purpose of the County Council and on outcomes for the community, and creating and implementing a vision for the local area

4.1 The County Council will develop a clear vision and purpose, identify intended outcomes and ensure that these are clearly communicated to all stakeholders of the organisation, both internal and external. In doing so, the County Council will report regularly on its activities and achievements, and its financial position and performance. The County Council will publish annually -

- a Council Plan
- a Statement of Final Accounts together with the Annual Governance Statement and

And a Community Plan in conjunction with local partners every three years.

4.2 The County Council will keep its corporate strategies, objectives and priorities under constant review, so as to ensure that they remain relevant to the needs and aspirations of the community.

4.3 In undertaking all its activities, the County Council will aim to deliver high quality services which meet the needs of service users. Delivery may be made directly, via a subsidiary company, in partnership with other organisations, or by a commissioning arrangement. Measurement of service quality will also be a key feature of service delivery.

4.4 In addition, the County Council will continue to monitor the cost effectiveness and efficiency of its service delivery, as well as

- ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money in its use
- ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary
- ensure compliance with CIPFA's Code on Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code

4.5 The County Council will also seek to address any concerns or failings in service delivery by adhering to and promoting its Complaints Procedure.

Core Principle 2 : Members and Officers working together to achieve a common purpose with clearly defined functions and roles

- 4.6 To ensure accountability the Constitution of the County Council defines the roles and responsibilities of both the Council's executive and non-executive functions. In particular, the Constitution -
- clearly defines the role of the Executive and Executive Members
 - also defines the respective roles of other Members, Members generally and of Senior Officers
 - defines the statutory roles of the Head of Paid Service, Section 151 Officer and the Monitoring Officer
 - sets out a Protocol to address the working relationship between the Leader and the Chief Executive which enables each to fulfil their respective roles
 - sets out a Protocol on Member / Officer relations which is the framework for effective working together
 - includes Schemes of Delegation for both Members and Officers
 - includes Procedure Rules in relation to staff employment, contracts / procurement, finance and property that are reviewed annually
 - empowers an Independent Remuneration Panel that considers Members' allowances
 - requires appropriate governance arrangements for partnerships
 - is kept under regular review
- 4.7 To demonstrate compliance with the CIPFA Statement on the *Role of the Chief Financial Officer* the County Council will -
- ensure that the Chief Financial Officer (CFO) * reports directly to the Chief Executive and is a member of the Management Board with a status at least equivalent to other members
 - ensure that the authority's governance arrangements allow the CFO direct access to the Chief Executive and to other Management Board members
 - appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement on the *Role of the Chief Financial Officer* and ensure that they are properly understood throughout the authority

* the Corporate Director – Strategic Resources fulfils the role of CFO as defined in the CIPFA Statement.

- ensure that the CFO :
 - leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and use appropriately, economically, efficiently and effectively
 - has a line of professional accountability for finance staff throughout the organisation
- ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance
- ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role
- establish a medium term business and financial planning process to deliver strategic objectives including:
 - a medium term financial strategy to ensure sustainable finances
 - a robust annual budget process that ensures financial balance
 - a monitoring process that enables this to be delivered
- ensure that these are subject to regular review to confirm the continuing relevance of assumptions used

Core Principle 3 : Promoting values for the County Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 4.8 The County Council will conduct its activities in a manner which promotes high ethical standards and good behaviour which will foster openness, support and mutual respect. The following policies and protocols have been established and will be kept under review to assist the County Council in maintaining this culture -
- Member Code of Conduct and Complaints procedure
 - Guidance Protocol re Members' Code of Conduct
 - Officer Code of Conduct
 - Local / National Teachers' Code of Conduct

- Protocol on Officer/Member Relations
- Code of Conduct for Planning
- Ethical Behaviour Statements
 - Leader
 - Chief Executive
- Staff and Member Registers of Interest
- ICT Code of Practice and Protocols on ICT use for Members and Officers
- Whistleblowing policy
- Counter Fraud Strategy
- Anti-Money Laundering Policy
- Officers' Register of Gifts & Hospitality
- Equality and Diversity Policy Statement
- Communication Strategy
- Partnership Working Guidance
- Procurement Strategy
- Information Governance Framework

- 4.9 In addition, the County Council will ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- 4.10 The aim is to develop a set of shared values which will underpin an ethos of good governance. This will be further supported by compliance with legislation, Procedure Rules and all relevant professional standards.
- 4.11 The County Council has established a Standards Committee to discharge its responsibilities for promoting and maintaining high standards of Member conduct. The Standards Committee meets twice yearly and as required. It develops initiatives to promote high ethical standards, is involved in ensuring the training of all Members on standards, and monitors compliance against the national Code of Conduct for Councillors. The Committee is also responsible for the handling of complaints that Members may have breached the Code.
- 4.12 Where the County Council works in partnership it will continue to uphold its own ethical standards, as well as acting in accordance with the partnership's shared values and aspirations.

Core Principle 4 : Taking informed transparent decisions which are subject to effective scrutiny and managing risk

4.13 The County Council observes this Principle through a combination of the following -

- all meetings of the Council and its Committees are open to the public
- having a formal Constitution which details the decision making process and the procedures required to support the transparency and accountability of decisions made
- an effective scrutiny function
- comprehensive recording of all decisions taken and the reasons for those decisions
- maintenance of registers to record potential conflicts of interest, attendance etc
- an independent Audit Committee
- a properly constituted Standards Committee.
- a transparent complaints procedure
- Area Committees that have the flexibility to co-opt local representatives
- Member development programme
- provision of timely and relevant information to all interested parties
- involvement of legal, financial and specific service expertise to inform decision-making
- an embedded risk management culture
- effective whistleblowing and counter fraud procedures
- implementation of all specific legislative requirements placed upon the County Council
- a comprehensive Information Governance Framework in compliance with accredited standards; this Framework includes the protection of sensitive and commercial data

4.14 In relation to its financial management arrangements, the County Council will -

- ensure an effective internal audit function is resourced and maintained
- ensure that its governance arrangements allow the CFO direct access to the Audit Committee and External Auditor
- ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority
- ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions
- ensure that advice is provided on the levels of reserves and balances in line with good practice guidance

- ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports
 - ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes
- 4.15 Based on the above, in terms of policy and decision making, the Executive is supported at all times by professional advice that addresses all relevant legal, financial and resourcing issues. At the same time, risk management processes operate so as to ensure that the risk and impact of decisions are fully assessed.
- 4.16 The County Council operates a scrutiny framework, supported by named officers, that enables decisions by the Executive to be challenged or influenced by the rest of the County Council's Members.

Core Principle 5 : Developing the capacity and capability of Members and Officers to be effective

- 4.17 The County Council is continually seeking to develop the capacity and capability of both its Members and officers in recognition that the people who direct and control the organisation must have the right skills. This is achieved through a commitment to training and development, as well as recruiting senior officers with the appropriate balance of knowledge and experience.
- 4.18 The County Council aims to achieve this by -
- organising Member and employee induction programmes
 - a Workforce Plan that addresses issues such as recruitment, succession planning, flexible working and other people management issues
 - providing career structures to encourage staff development
 - regularly reviewing job descriptions and person specifications and using these as the basis for recruitment
 - implementing a Development Programme including individual training and development plans
 - maintaining an effective performance management system
 - encouraging a wide variety of individuals and organisations to participate in the work of the County Council
- 4.19 To ensure compliance with the CIPFA Statement in the *Role of the Chief Financial Officer* the County Council will
- ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of his role

- review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised
- provide the finance function with the resources, expertise and systems necessary to perform its role effectively
- embed financial competencies in person specifications and appraisals
- ensure that councillors' roles and responsibilities for monitoring financial performance / budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities

Core Principle 6 : Engaging with local people and other stakeholders to ensure robust public accountability

4.20 The County Council will seek the views of its stakeholders and respond appropriately by -

- clearly identifying its stakeholders, in order to ensure that relationships with these groups continue to be effective
- maintaining effective channels of communication which reach all groups within the community and other stakeholders as well as offering a range of consultation methods; to this end the County Council has a Communications Strategy and a Consultation Promise that are regularly reviewed and updated
- publishing a Council Plan and an annual Statement of Final Accounts to inform stakeholders and services users of the previous year's achievements and outcomes
- publishing a Medium Term Financial Strategy and consulting each year on the Annual Revenue Budget and its impact on Council Tax
- providing a variety of opportunities for the public to engage effectively with the County Council including attending meetings
- presenting itself in an open and accessible manner to ensure that County Council matters are dealt with transparently, in so far as the need for confidentiality allows
- supporting these shared principles and the undertakings in the North Yorkshire Compact which provides a framework for local authorities and other public bodies to work together with the voluntary and community sector
- developing a Community Plan in conjunction with local partners
- maintaining a Citizens' Panel of around 2000 residents who are consulted twice a year on a wide range of service issues
- maintaining a Freedom of Information Act Publication Scheme and arrangements to respond to requests for information from the public
- operating Access to Information Procedure Rules to ensure local people and stakeholders can exercise their rights to express an opinion on decisions, and can understand what decisions have been made and why

- ensuring the lawful and correct treatment of personal information through a Data Protection policy that follows the principles set out in the Data Protection Act 1998
- maintaining a County Council website that provides access to information and services and opportunities for public engagement

5.0 **MONITORING, REPORTING AND REVIEW**

5.1 Ensuring good corporate governance is the responsibility of the whole Council. However to formalise the process, the County Council has two Committees that are primarily responsible for monitoring and reviewing the adequacy of the corporate governance arrangements referred to in this Local Code -

- the Audit Committee
- the Standards Committee

The two committees liaise on any issue of Corporate Governance that may be of legitimate common concern to both.

5.2 The Audit Committee is independent of both the Executive and Scrutiny, and has wide ranging responsibilities in relation to audit, information governance, counter fraud, risk management, treasury management, financial and performance reporting, as well as overall corporate governance. The Committee's terms of reference are set out in the Constitution and its principal objectives are to ensure that the County Council manages its risks appropriately and maintains an adequate and effective system of internal control. The Committee meets a minimum of five times a year and includes three co-opted external Members.

5.3 The Standards Committee currently meets twice yearly and as required to promote and maintain high standards of conduct by Councillors and co-opted Members of the Council. The Committee provides advice and support to the Council and its members on the County Council's Members' Code of Conduct and related ethical issues such as membership of outside bodies and Member/officer relations. Additionally, Standards Committee Members participate in training sessions and in sub-committees dealing with complaints of alleged breaches of the Code and has in place arrangements for the receipt, assessment and determination of complaints about potential breaches of the Members' Code of Conduct. The Committee is attended by independent persons, as well as County Council Members.

5.4 Further to the two Committees referred to above, the County Council has also established

- a Corporate Governance Officer Group of senior officers, chaired by the Corporate Director – Strategic Resources, which is responsible for overseeing the delivery of an integrated programme of work to support the development of robust corporate governance arrangements, and to keep implementation of such arrangements under on-going review. In particular, this Group monitors the Self-Assessment Checklist that maps, and monitors, all governance activity within the County Council against all published Best Practice Guidelines

- a Corporate Information Governance Group, also chaired by the Corporate Director – Strategic Resources. This Group addresses the various challenges of Information Governance including the development and maintenance of a Framework for Information Governance which comprises a suite of relevant policies, protocols and guidance notes

5.5 The County Council is required to undertake an annual review of the effectiveness of its system of internal control *. This review seeks to -

- identify principal risks to the achievement of County Council objectives
- identify and evaluate key controls to manage principal risks
- obtain assurances of the effectiveness of key controls
- evaluate assurances and identify gaps in control/assurances

This review is overseen by the Audit Committee and is part of the preparatory process for the Annual Governance Statement (see **paragraph 5.8** below). The Audit Committee receives assurance from various sources regarding the adequacy of the internal control environment and overall corporate governance arrangements, including from the Head of Internal Audit. In addition, the effectiveness of internal audit and the Audit Committee itself are reviewed annually.

5.6 Additionally, compliance with the CIPFA Statement on the *Role of the Chief Financial Officer in Local Government* is reviewed annually by the Audit Committee.

5.7 Finally, annual reports are produced and published by:

- the Scrutiny Chairs and
- the Audit Committee Chairman

* As required by Regulation 4 of the Accounts and Audit Regulations (2011)

The Annual Governance Statement

5.8 Following the annual review of effectiveness of the system of internal control an Annual Governance Statement (AGS) * will be published to accompany the Statement of Final Accounts for the County Council. The AGS will provide an overall assessment of the corporate governance arrangements in the County Council.

5.9 To reflect the County Council's commitment to the continuous improvement of its system of internal control, progress to address weaknesses is drawn up in response to any significant control weaknesses identified in the AGS. A follow up process is then overseen by the Corporate Governance Officer Group to ensure continuous improvement of the system of corporate governance. The Audit Committee monitors progress to address weaknesses every six months.

* As required by Regulation 4 of the Accounts and Audit Regulations (2011)

Review of this Code

- 5.10 A review of this Code will be undertaken annually alongside the preparation of the AGS.

6.0 CONTACT DETAILS AND FURTHER INFORMATION

- 6.1 Further details of the County Council's Corporate Governance arrangements can be obtained on the County Council's website www.northyorks.gov.uk or by contacting the Corporate Director – Strategic Resources (**see below**).
- 6.2 Finally, if you have any concerns about the way in which the County Council, its Members, Officers or agents conduct its business, or believe that elements of this Code are not being complied with, please contact one of the following Officers as appropriate. Your enquiry will be treated confidentially, and a response made following investigation of the facts in each case.

(i) **Chief Executive (Head of Paid Service)**

Richard Flinton
North Yorkshire County Council
County Hall
Northallerton
North Yorkshire DL7 8AL
Tel: 01609 532444 E-mail: richard.flinton@northyorks.gov.uk

(ii) **Corporate Director – Strategic Resources (Section 151 Officer)**

Gary Fielding
Corporate Director – Strategic Resources
North Yorkshire County Council
Racecourse Lane
Northallerton
North Yorkshire DL7 8AL
Tel 01609 533304 E-mail gary.fielding@northyorks.gov.uk

(iii) **Assistant Chief Executive (Legal and Democratic Services)
(Monitoring Officer)**

Carole Dunn
Legal and Democratic Services
North Yorkshire County Council
Racecourse Lane
Northallerton DL7 8AL
Tel 01609 532173 E-mail carole.dunn@northyorks.gov.uk

CORPORATE GOVERNANCE

