

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

24 October 2006

### Report of the Chief Executive

#### Part 1- Public

#### Matters for Recommendation to Cabinet

#### 1 LOCAL CODE OF CORPORATE GOVERNANCE

##### Summary

**This report asks Members of this Committee to review the updated Local Code of Corporate Governance and to recommend adoption by Council via Cabinet.**

#### 1.1 Background

1.1.1 Members may recall that the Council introduced a Local Code of Corporate Governance in September 2003 as part of the Council's overall approach to Corporate Governance.

1.1.2 A number of Government reports had resulted in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) publishing a framework for local authorities to follow, that drew together the principles identified by Cadbury, Nolan and the DETR.

1.1.3 In the CIPFA/SOLACE framework Corporate Governance is defined as follows: -  
"Corporate governance is the system by which local authorities direct and control their functions and relate to their communities"

1.1.4 The Code of Corporate Governance was produced using the guidelines set out in the framework. A revised framework and new set of guidelines are planned for release in early 2007. At that point the Local Code of Corporate Governance will be reviewed against the new framework.

1.1.5 The Code is published on the Council website and can be accessed by all stakeholders for reference to the individual components of the overall Corporate Governance framework of the Council.

1.1.6 The Council is also required to include a Corporate Governance Statement within the framework of the Statement of Accounts. This statement is intended to provide assurance by the Leader of the Council and the Chief Executive that satisfactory measures are in place to demonstrate that effective Corporate

Governance exists within the Council. The Local Code of Corporate Governance demonstrates how this assurance is achieved.

## **1.2 Revision of the Code**

- 1.2.1 The Code is revised regularly to ensure that it remains up to date. The process of revision consists of circulating the Code to all Chief Officers requesting the addition of any factors affecting the overall Corporate Governance Framework.
- 1.2.2 In addition all Cabinet decisions are examined to identify any new policies that should be included in the Framework.
- 1.2.3 Following this exercise an updated draft is circulated to Chief Officers for comments.
- 1.2.4 A revised Code is attached as **[Annex 1]**. Revisions to the Code consist of additional items in the "How we do this" column and are shown in bold.

## **1.3 Audit Committee**

- 1.3.1 This Committee is charged with overseeing the overall Corporate Governance framework of the Council. As part of this process the Committee is required to review the Local Code of Corporate Governance and if satisfied to recommend to Council via Cabinet that it should be adopted.

## **1.4 Legal Implications**

- 1.4.1 There are no specific legal requirements for preparing a Code of Corporate Governance. However, the Accounts and Audit (Amendment) (England) Regulations 2006 S.I. 564 require Members to conduct a review of the internal controls within the organisation and the Code forms part of the evidence to support this review.

## **1.5 Financial and Value for Money Considerations**

- 1.5.1 Although there are no direct issues arising from the Code the lack of adequate internal controls or policies could lead to the Council being open to increased risk of fraud and error.

## **1.6 Risk Assessment**

- 1.6.1 The Code forms part of the Council's overall system of internal control and forms part of the evidence for the Statement on Internal Control.
- 1.6.2 It is also considered as part of the inspection by the Audit Commission in consideration of the Key Lines of Enquiry.
- 1.6.3 A failure to review and update the Code regularly could result in poor scoring by external inspection.

## **1.7 Recommendations**

### **1.7.1 Members are asked to review the revised Code of Corporate Governance and to recommend its adoption by Council via Cabinet.**

Background papers:

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CIPFA/SOLACE Publications

Corporate Governance in Local Government –  
Framework

Corporate Governance in Local Government –  
Guidance Note

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