

Updated Local Code of Corporate Governance

Audit Committee

31 January 2008

1 Purpose of report

- 1.1 The Local Code of Governance has been subject to annual review by Internal Audit since its adoption. The results of the reviews have been reported to the Resource Management and Audit Scrutiny Panel and have informed the Annual Statement on Corporate Governance signed by the Chief Executive and Council Leader. This report reviews the code against latest guidance and provides a draft for the new code of governance.

2 Summary

- 2.1 The Local Code of Corporate Governance is based upon best practice identified jointly by CIPFA and SOLACE. Together with the evidence matrix, the code totals some 25 pages. Much of the evidence used to support the document answers more than one question. During the review against the new guidance the opportunity was taken to review the possibility of producing a more compact and understandable governance statement.

3 Main report

- 3.1 Corporate governance is the system by which the Council directs and controls its functions, and relates to the community it serves. The Local Code of Corporate Governance was adopted by the Executive on 9th April 2002 and has been reviewed annually by Internal Audit. CIPFA/SOLACE guidance has been revised recently and further guidance that is particular to Scotland is currently being finalised. The Code, as reported under the previous guidance, and evidence for each dimension of the Council's business is available from internal audit.
- 3.2 The revised Code acknowledges Councils' roles as being to:
- provide leadership to the community and engage in effective partnerships;
 - deliver high-quality local services;

- protect the interests of local people and make the best use of resources;
 - develop citizenship and local democracy.
- 3.3 Councils should comply with the following core principles when designing and implementing the processes that are adopted to fulfil its roles, and those processes should reflect the core principles.
- The Council will focus on its roles and responsibilities, the creation and implementation of a vision for Edinburgh and the outcomes for the community.
 - The Council will engage with the local community and other stakeholders to provide effective public accountability.
 - Council members and officers will have clearly defined roles and functions and will work together to achieve common purposes.
 - The capabilities of Council members and officers will be developed.
 - The Council will promote its values and demonstrate good governance through high standards of conduct and behaviour.
 - The decision-making process will be informed, transparent, subjected to effective scrutiny and demonstrate effective risk management
- 3.4 The roles and principles generate a number of specific requirements. In order to demonstrate good corporate governance, evidence must be supplied to show that each requirement has been addressed effectively. Hitherto, the evidence has been reviewed annually by the Chief Internal Auditor and reported to the Resource Management and Audit Scrutiny Panel. The reviews informed the formal statement by the Chief Executive and Leader of the Council that is included in the Council's Annual Report.
- 3.5 In order to comply fully with the requirements of the revised guidance on the local code, and in addition to the annual gathering of evidence, a process to provide continuous improvement in, and fuller compliance with, corporate governance standards should be adopted. Given the high profile that corporate governance enjoys, a senior officer should be responsible for developing standards and compliance, and reporting outcomes to the Council. An independent and objective assurance on the Council's processes for promoting compliance with governance standards could then be reviewed by the Internal Audit Section.
- 3.6 The Local Code no longer appears on the Council website and, at 25 pages, it is probably not an appropriate method of demonstrating the Council's commitment to good governance to its community.
- 3.7 The websites of several councils were reviewed to determine current practice. In Scotland, there appeared to be two approaches; firstly, reproduce the whole Code (e.g. Angus Council published all 26 pages) or, as in many cases, offer no access to the Code via internet sites. In England, there appeared to be a third option, a smaller more compact version of the Code that is cross-referenced to the key documents supporting the Code.

3.8 As corporate governance is the system by which the Council directs and controls its functions, and relates to the community it serves, it should be at the heart of the information supplied to the community.

3.9 An example of a more compact version of the code, which takes into account recently revised CIPFA/SOLACE guidance, is attached at Appendix 1.

3 Recommendations

- that the Committee notes the ongoing review of the local code.


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Appendices: Appendix 1: Proposed Compact Version of CEC Code

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Wards Affected: None

Background Papers: Local Code of Corporate Governance

City of Edinburgh Council

Draft Local Code of Corporate Governance

1. In accordance with guidance from the Chartered Institute of Public Finance and Accountancy, and the Society of Local Authority Chief Executives, the City of Edinburgh Council acknowledges that its role is to:
 - provide leadership to the community and engage in effective partnerships;
 - deliver high-quality local services;
 - protect the interests of local people and make the best use of resources;
 - develop citizenship and local democracy.
2. CEC observes the following core principles when designing and implementing the processes that are adopted to fulfil its role, and those processes should reflect the core principles.
 - The Council will focus on its role and responsibilities, the creation and implementation of a vision for Edinburgh and the outcomes for the community.
 - The Council will engage with the local community and other stakeholders to provide effective public accountability.
 - Council members and officers will have clearly defined roles and functions and will work together to achieve common purposes.
 - The capabilities of Council members and officers will be developed.
 - The Council will promote its values and demonstrate good governance through high standards of conduct and behaviour.
 - The decision-making process will be informed, transparent, subjected to effective scrutiny and demonstrate effective risk management.
3. In order to ensure that its vision is realised, the Council has formulated a series of plans, strategies and manifesto commitments that address its desired outcomes.
4. An internal control structure has been established, documented and made available to members and officers to promote adherence to the principles and achievement of the vision. The most significant elements of the internal control structure are Standing Orders, Financial Regulations, Risk Management Strategy, etc.
5. The effectiveness of the internal control structure is, in turn, monitored and reviewed by the Audit and Review Section, Audit Scotland, HM Inspectorates and the Audit Committee.
6. The effectiveness of service delivery is reviewed and controlled at all levels of management, supported by an effective management information system.

7. It is the City of Edinburgh Council's intention to ensure that its high standards of governance are observed in every aspect of its services and activities, including those that are undertaken by partnerships, external bodies funded by the Council, Council-owned companies, joint ventures, private sector service suppliers, etc.
8. To maintain and improve their effectiveness, the application of these principles and their appropriateness will be kept under constant review by the Council's Monitoring Officer and reported annually to the Council and Audit Committee.
9. An annual assurance on the operation of the Local Code will be provided by the Leader of the Council and Chief Executive on behalf of the Council and published with the annual accounts.
10. In keeping with the Council's duties of openness and accountability to the public, the code and the policies, strategies, reports and plans that provide evidence of the Council's compliance have been made available to the public through the Council's web site.

LIST OF THE KEY DOCUMENTS RELATING TO CORPORATE GOVERNANCE

Community

City / Community / Corporate Plan
Departmental Service Plans
Consultation Policy
Annual Accounts
Annual Report

Service Delivery

Roles and Responsibilities Statement for Strategic Partnerships
Customer Care Charter
Suggestions and Complaints Process
Performance Management Policy

Structure and Process

Standing Orders
Scheme of Delegation to Officers
HR Policies:

- Recruitment and Selection;
- Policy on Fair Treatment at Work;
- Disciplinary Procedure;
- Procedure for Hearing Employee Grievances;
- Equal Employment Opportunities Policy;
- Employee Development and Training Policy; etc.

Risk Management and Internal Control

Finance Rules
Risk Management Strategy
Anti Fraud and Corruption Policy

Standards of Conduct

Members / Officers Relations Protocol
Code of Conduct for Members
Code of Conduct for Officers
Public Interest Disclosure Policy