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21 September 2017

To: Chairman – Councillor Andrew Fraser
Vice-Chairman – Councillor Grenville Chamberlain
Members of the Audit and Corporate Governance Committee – Councillors
John Batchelor, Simon Crocker, Christopher Cross, Roger Hall,
Douglas de Lacey, Tony Orgee and John Williams

Quorum: 3

Dear Councillor

You are invited to attend the next meeting of **AUDIT AND CORPORATE GOVERNANCE COMMITTEE**, which will be held in **SWANSLEY ROOM A AND B - GROUND FLOOR** at South Cambridgeshire Hall on **FRIDAY, 29 SEPTEMBER 2017** at **9.30 a.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution *in advance of* the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Beverly Agass
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

AGENDA

	PAGES
1. Apologies for Absence To receive Apologies for Absence from Committee members.	
2. Declarations of Interest	
3. Minutes of Previous Meeting To confirm the minutes of the meeting held on 30 June 2017 as a correct record.	1 - 4
AUDIT REPORTS	
4. Internal Audit Quarterly Progress Report	5 - 12
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DECISION ITEMS

6. **Review of Statement of Accounts - Report to Follow**
7. **Letter of Representation - to Follow**
8. **Annual Governance Statement and Code of Corporate Governance 2016/17** **13 - 46**

INFORMATION ITEMS

9. **Audit Committee Briefing Paper** **47 - 58**
10. **Matters of Topical Interest**
11. **Date of Next Meeting**
The Committee will be asked to note the following meeting dates:
 - Friday 24 November 2017 at 9:30am – Provisional
 - Friday 23 March 2018 at 9:30am

OUR LONG-TERM VISION

South Cambridgeshire will continue to be the best place to live, work and study in the country. Our district will demonstrate impressive and sustainable economic growth. Our residents will have a superb quality of life in an exceptionally beautiful, rural and green environment.

OUR VALUES

We will demonstrate our corporate values in all our actions. These are:

- Working Together
- Integrity
- Dynamism
- Innovation

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

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Agenda Item 3

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Minutes of a meeting of the Audit and Corporate Governance Committee held on
Friday, 30 June 2017 at 9.30 a.m.

PRESENT:	Councillor Andrew Fraser – Chairman Councillor Ray Manning – Vice-Chairman	
Councillors:	John Batchelor Tony Orgee	Roger Hall John Williams
Officers:	Patrick Adams Suzy Brandes Jean Cole Alex Colyer Rory McKenna Michael Millar Caroline Ryba	Senior Democratic Services Officer Principal Accountant (General Fund & Projects) Interim Principal Accountant Executive Director (Corporate Services) Deputy Monitoring Officer Interim Accountant Head of Finance
External:	Steve Crabtree Tony Poynton Suresh Patel	Shared Head of Internal Audit Ernst & Young Ernst & Young

Councillors Nick Wright was in attendance, by invitation.

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Grenville Chamberlain and Councillor Douglas de Lacey. Councillor Ray Manning substituted for Councillor Grenville Chamberlain.

2. DECLARATIONS OF INTEREST

Councillor Andrew Fraser declared a non-pecuniary interest as a non-executive director of Ermine Street Housing Ltd.

Councillor John Batchelor declared a non-pecuniary interest as the Chairman of the Combined Authority's Overview and Scrutiny Committee.

3. MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 31 March 2017 were agreed as a correct record, subject to the following amendments:

- The following text was included in agenda item 2: "Councillor Andrew Fraser declared a non-pecuniary interest as a non-executive director of Ermine Street Housing Ltd."
- The fourth bullet point of agenda item 5 was amended to read: "Review of land supply was at risk because of the five year land supply."

4. INTERNAL AUDIT ANNUAL REPORT 2016-17

Steve Crabtree, Shared Head of Internal Audit, presented the annual report on the work of Internal Audit for 2016/17.

Gifts and hospitality

Steve Crabtree reported that an audit on the prevention of serious organised crime would

be carried out this year, which would in part review the Council's recording of gifts and hospitality. In response to questioning the Interim Chief Executive explained that gifts and hospitality declared by councillors was publicly available. Steve agreed to amend the second sentence, to read that "There was a lack of evidence in relation to declarations..."

National Fraud Initiative

Steve Crabtree reported that any differences between our data and those of other public authorities were due to anomalies and not errors. It was noted that a report on tackling fraud was going to Cabinet in September.

Annual Governance Statement

It was noted that CIPFA were introducing a new framework for this.

Ermine Street Housing

It was noted that this was expected to be concluded in a week's time. None of the errors identified were material.

Homelessness

This audit had resulted in a limited assurance. Steve Crabtree assured the Committee that the Council was acting to address concerns.

Banking contract

Steve Crabtree was pleased to report that the "cross council" tendering process had resulted in improvements and cost savings.

VAT (follow-up)

It was noted that the "Full" assurance given for the audit of VAT should actually have been "Substantial" as the "Full" assurance score no longer existed.

Safeguarding

This audit was currently in draft form and was awaiting comment from Directors.

Driver Competency

It was noted that this audit was put on hold following a request from senior management. Improvements had been put in place and there was no longer the need for an audit to take place.

Sample testing

Steve Crabtree explained that the assurance provided by auditors were based on sample testing, which meant that it was impossible to provide an absolute assurance.

Response times

It was noted that there had been an increase in response times from officers to requests from Internal Audit for information. As a consequence Internal Audit were planning to liaise with Corporate Management Team to explain what was expected from officers. It was understood that there would be no decline in Internal Audit's expectations.

The Committee **NOTED** the report.

5. EXTERNAL AUDIT: 2016/17 PROGRESS UPDATE REPORT (ORAL UPDATE)

Suresh Patel gave an oral update on External Audit's Progress Report. He explained that the Council had not met the 30 June May 2017 deadline for producing a full set of 2016/17 accounts while other councils he audited had done so. It was noted that the deadline has been brought forward for 2017/18 to 31 May and concerns were expressed over the

Council's capacity to meet this future deadline. It was understood that this year's delay was due to recent staff turnover.

Tony Poynton reminded the Committee that two risks had been identified in the audit plan in March. He was happy to report that no further risks had been identified.

It was noted that External Audit were scheduled to commence their audit of the 2016/17 statement of accounts on 24 July 2017.

The Committee **NOTED** the update.

6. **EXTERNAL AUDIT: 2017/18 FEE LETTER**

Suresh Patel introduced this agenda item, by explaining that External Audit had written a letter to the Council confirming the work that they proposed to undertake for the 2017/18 financial year. It was noted that the indicative fee for 2017/18 had been frozen at £56,975, which was the same as the planned fee for 2016/17, although the Public Sector Audit Appointments Limited (PSAA) needed to approve this fee for 2017/18. It was further noted that Ernst and Young had successfully bid for the 2018/19 public sector audit contract and the PSAA will consult the Council in August as to the proposed auditor, but continuity was expected to be a key criteria.

The Committee **NOTED** the 2017/18 fee letter.

7. **ANNUAL GOVERNANCE STATEMENT 2016-17**

The Executive Director introduced this agenda item, which invited the Committee to endorse the draft Annual Governance Statement 2016/17, by explaining that the final version would go to the Committee in September.

Councillor John Williams suggested that the Annual Governance Statement should mention that senior officers were involved in the running of Ermine Street Housing Ltd. It was understood that neither Councillor John Williams, nor Councillor John Batchelor would support the final sentence of the Annual Governance Statement which declared that the Committee believed "the council was well-governed and performed well."

The Chairman stated that any grammatical errors or other minor mistakes should be reported to officers outside the meeting.

The Committee **ENDORSED** the draft Annual Governance Statement.

8. **RISK MANAGEMENT STRATEGY**

The Principal Accountant (General Fund & Projects) introduced this agenda item, which invited the Committee to approve the revised Risk Management Strategy. She explained that there was no obligation to wait until the Cambridge City Council had agreed their Risk Management Strategy, as they did not carry out an annual review.

The following minor amendments were made by the Committee:

- The date the Strategy was approved by the Committee was amended to 30 June 2017 on the title page of the Strategy.
- Paragraph 2.1 of the Strategy was amended to read "... the system which helps to ensure that South Cambridgeshire District Council achieve the right outcomes..."
- In appendix A the acronym CCC was removed from the risk description for "Major

Projects”.

The Committee **APPROVED** the Risk Management Strategy.

9. STATEMENT OF ACCOUNTS

This item was discussed after agenda item 6.

The Head of Finance circulated a report and appendix at the meeting, which provided the main financial statements, which will form part of the Council’s Narrative Report and Statement of Accounts. She explained that work on the main Statement of Accounts was still ongoing. The delay in producing the Accounts was due to the retirement of Principal Accountant in February and the unexpected departure of her interim replacement the following month. Jean Cole and Michael Millar were experienced accountants who had been drafted in on short notice to complete the work.

It was noted that the full Statement of Accounts would fully explain the differences in the Housing Revenue Accounts charges.

It was suggested that the report should be amended to remove the phrase “later today” as this could confuse residents who view the report on the website.

The Committee agreed that there should be an informal briefing on Monday 17 July at 9:30am to allow all members of the Committee to discuss the full Statement of Accounts before being signed-off by the Council’s Section 151 Officer.

The Committee **NOTED** the main statements of the Statement of Accounts.

10. MATTERS OF TOPICAL INTEREST

Regulation of Investigatory Powers Act (RIPA)

The Principle Lawyer announced that the Council had not used the RIPA powers in the last quarter.

Officer attendance at the Committee

It was agreed that lead officers for specific internal audits should be invited to attend Committee meeting to provide evidence.

Combined Authority

It was noted that auditing arrangements had been set up for the newly formed Cambridgeshire and Peterborough Combined Authority.

11. DATE OF NEXT MEETING

The Committee agreed that as the meeting scheduled for 30 March 2018 was on Good Friday, it should be rescheduled for 23 March 2018.

The Committee noted that the next meeting will be held on Friday 29 September 2018 at 9:30am.

The Meeting ended at 10.30 a.m.

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
AUDIT AND CORPORATE GOVERNANCE COMMITTEE
29 SEPTEMBER 2017**

INTERNAL AUDIT PROGRESS REPORT 2017 / 2018

RECOMMENDATION:

Members of the Audit and Corporate Governance Committee are asked to consider, review, and provide challenge to the attached progress report on the delivery of the audit service up to 31 August 2017.

Report Author:	Steve Crabtree
Position:	Shared Head of Internal Audit (for Peterborough UA / Cambridge City / South Cambridgeshire Councils)
Contact:	Peterborough Office: 01733 384557 Cambridge Office: 01223 458181 South Cambridgeshire Office: 01954 713445

1. INTRODUCTION

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit and Corporate Governance Committee and the Executive Director (Corporate Services), Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2017 / 2018 Internal Plan, as at August 2017. The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit (HoIA) report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, this is partly based on the type of recommendations we make in each report. Should an audit report identify **LIMITED** or **NO** assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.**

2. RESOURCES AND OUTPUTS

- 2.1 Since our last report to Audit and Corporate Governance Committee (June 2017) the following issues are brought to Members attention:
- There have been no changes to audit personnel during the year to date;
 - New arrangements are being put in place for the Shared Internal Audit Service (SIAS) with Cambridge City Council (CCC). The Senior Auditor has moved to CCC under TUPE with effect from 1 August 2017. Recruitment for the Head of Service role took place at the end of August 2017 following an unsuccessful attempt in April 2017. A verbal update will be provided at the meeting.
- 2.2 Work carried over from 2016 / 2017 are documented in **Appendix A** and the current plan are documented in **Appendix B**. At this moment in time, there are no specific concerns to be brought to Members attention.

Steve Crabtree
Head of Internal Audit
August 2017

ISSUES ARISING FROM THE DELIVERY OF THE INTERNAL AUDIT PLAN DURING 2016 / 2017

Ermine Street Housing (Governance)	Prior Review: Not applicable	New Assurance: REASONABLE	Critical: 0	High: 0	Medium: 5	Low: 0	Total: 5	Two reviews were undertaken at the same time to focus on the formal set up of the ESH as well as its day to day management.
Ermine Street Housing (Operational Processes)	Prior Review: Not applicable	New Assurance: REASONABLE	Critical: 0	High: 2	Medium: 5	Low: 3	Total: 10	Good policies and processes have been developed over time to deliver although these need to be better documented. There are key dependency issues which need to be resolved.
National Fraud Initiative	Prior Review: Not applicable	New Assurance: REASONABLE	Ongoing assessment and review of the irregular data matches identified through NFI. Internal Audit are the key contact for this are have overseen the data downloads and issued instructions to key officers to undertake the reviews e.g. Council Tax. There have been no significant issues arising at this moment. Steps are in train for this to be linked in with the Corporate Fraud team going forward.					
Safeguarding	Prior Review: Not applicable	New Assurance: REASONABLE	Critical: 0	High: 3	Medium: 6	Low: 3	Total: 12	Policies / processes have been benchmarked against good practice produced by HM Government PREVENT Duty Guidance as well as recommendations following the South Ribble Council scandal. The Council has processes in place which cover the main areas but tend to operate in silos. Better coordination e.g. central records, regular updates taking account of latest legislation etc. with a comprehensive action plan will facilitate improvements.

INTERNAL AUDIT PLAN 2017 / 2018

LIVING WELL								
Support our communities to remain in good health whilst continuing to protect the natural and built environment								
Licensing	Prior Review: Not applicable	New Assurance: REASONABLE	Critical: 0	High: 1	Medium: 1	Low: 2	Total: 4	<p>Good processes / procedures are well documented and available to all through the Private Hire and Taxi Handbook. At the time of the audit this was about to undergo review.</p> <p>Sample testing over the various categories did not identify any major weaknesses. The recommendation deemed to be high relates to Drivers over 64 who, in accordance with the scheme, should provide annual medical reports. From our sample, this is not happening.</p>

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HOMES FOR OUR FUTURE	
Secure the delivery of a wide range of housing to meet the need of existing and future communities	
Homelessness	Scheduled for Quarter 4
Choice Based Lettings	Scheduled for Quarter 4

CONNECTING COMMUNITIES

Work with our partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity

Land Supply / S.106

Scheduled for Quarter 4

AN INNOVATIVE AND DYNAMIC ORGANISATION

Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost

**Shared Service:
Waste Management
(Quality Standards)**

Scheduled for Quarter 3

**Shared Service:
Waste Management
(Delivery of Savings)**

Scheduled for Quarter 3

**Shared Service:
Waste Management
(Trade Waste)**

Scheduled for Quarter 4

CORE SYSTEMS ASSURANCE WORK	
Accounts Payable	Scheduled for Quarter 4. Some assurance is expected to be taken from the works undertaken by the critical project in train to deliver the Main Financial System across 3 authorities. This is expected to go live in December 2017.
Cash and Bank	Scheduled for Quarter 4. Some assurance is expected to be taken from the works undertaken by the critical project in train to deliver the Main Financial System across 3 authorities. This is expected to go live in December 2017.
Main Accounting	Scheduled for Quarter 4. Some assurance is expected to be taken from the works undertaken by the critical project in train to deliver the Main Financial System across 3 authorities. This is expected to go live in December 2017.
Treasury Management	Scheduled for Quarter 3.

ANNUAL GOVERNANCE AND ASSURANCE WORK

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section includes audit work that relates to the production of the Annual Governance Statement

Organised Crime Procurement Review	Crime	Work in progress. This covers a number of areas which the Home Office deemed as potential areas where local authorities could be susceptible to crime.
Annual Opinion	Audit	Reported to Audit and Corporate Governance Committee June 2017
Internal Effectiveness	Audit	Reported to Audit and Corporate Governance Committee June 2017
Annual Governance Statement		Work in progress.
Human Resources		Due to start Quarter 3 – scoping being prepared
Performance Management		Scheduled for Quarter 4
Project Management		In progress. Focus is on the Business Efficiency Improvement Projects.
Risk Management		Scheduled for Quarter 3

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Agenda Item 8

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO:	Audit and Corporate Governance Committee	29 September 2017
AUTHOR/S:	Executive Director (Corporate Services) / Policy and Performance Manager	

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL'S ANNUAL GOVERNANCE STATEMENT AND CODE OF CORPORATE GOVERNANCE 2016/17

Purpose

1. To consider and endorse the draft Annual Governance Statement 2016/17 for approval and sign-off by the Leader of the Council and Chief Executive as part of the statement of accounts for the year ending 31st March 2017, and to adopt an updated Code of Corporate Governance for the Council.

Recommendations

2. That the Committee:
 - (a) Endorse the draft Annual Governance Statement for approval and sign-off by the Leader and Chief Executive (**Appendix A attached**);
 - (b) Note that the final version of the Statement will be updated following the receipt of the External Auditors Opinion, to be notified to the Committee under separate cover, and
 - (c) Endorse the Code of Corporate Governance for the Council (**Appendix B attached**).

Background

3. There is a statutory requirement to publish an Annual Governance Statement. The AGS provides public assurance about the effectiveness of the Council's system of internal control and the Council's corporate governance arrangements and assurance framework.
4. CIPFA, in conjunction with SOLACE, has produced an updated framework for delivering good governance in local government, based on seven core principles:
 1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 2. Ensuring openness and comprehensive stakeholder engagement.
 3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 6. Managing risks and performance through robust internal control and strong public financial management.
 7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.

5. Guidance from CIPFA and SOLACE suggests each local authority should develop and maintain a Code of Corporate Governance based on the new core principles set out above. The Code stands as the overall statement of the Council's corporate governance principles and commitments. It takes each principle in turn, and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance. It will be reviewed annually through the Annual Governance Statement process, which in future years will assess the Council's compliance with the Code and identify actions to enhance the code or address any limitations within it.

Considerations

6. The functions of the Audit and Corporate Governance Committee include consideration of the AGS prior to its inclusion in the annual statement of accounts. The AGS should explain the governance framework operating during the accounting period, assess the effectiveness of those controls and identify any significant issues and associated actions.
6. The draft AGS is attached. It retains the revised format first used for the 2012-2013 AGS, mapping core principles to the Council's performance framework into a simpler, plain English document which presents a strategic overview of good governance, with links and appendices providing the more detailed evidence base.
7. Six actions were identified as potentially significant governance issues requiring attention during 2016/2017. Details of actions taken in response to each are set out in Section 6 of the draft AGS.
8. In order demonstrate the integration between performance and governance, the final version of the Statement will cross-reference the Year-End Position Report on Finance, Performance and Risk, which was received by Scrutiny and Overview Committee and Cabinet in July 2017 and which sets out key achievements against the Council's Corporate Plan 2016-2021 and associated key performance indicators.
9. The final AGS will include the External Audit opinion for 2016/17 on whether the council has followed the right accounting processes, delivered value for money and that the Council's finances were adequately presented; this opinion is awaited, and upon receipt will be notified to the Committee under separate cover.
10. Internal Audit has identified the following potentially significant governance issues likely to require attention during 2017-2018 (as set out in Section 5 of the Statement):

(1) Financial Management System

The Council is in the process of implementing a new Financial Management System (FMS), Tech 1, for implementation across three authorities. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system. Shared Internal Audit has been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.

(2) *Combined Authority*

Appropriate governance arrangements need to be in place to ensure that South Cambridgeshire District Council's interests are protected through the work of the Combined Authority. The Council needs to develop effective partnership relationships with the new authority.

(3) *Gifts and Hospitality*

No assurance was report into this activity following internal audit. A lack of evidence was available in relation to declarations, although steps have been adopted to address this.

Implications

12. In the writing of this report, the following implications have been considered:

Financial

13. Good corporate governance and internal controls reduce the risk to the Council of financial loss.

Legal

14. It is a statutory requirement to produce an Annual Governance Statement under the Accounts and Audit (Amendment) (England) Regulations 2006 and the Statement of Reporting Practice 2007 (CIPFA). Operating good corporate governance and internal control systems should demonstrate high ethical standards.

Risk Management

15. Failure to produce an Annual Governance Statement would affect the approval of the statement of accounts.

Equality and Diversity

16. Preliminary screening of the statement identified no significant equality and diversity implications, therefore a full Equality Impact Assessment is not required.

Effect on Strategic Aims

17. Delivering strategic objectives in an open, accountable and transparent manner provides evidence of strong governance. Improved service performance and a well-run business are integral of the objective to be an Innovative and Dynamic Organisation set out in the Corporate Plan 2017-2022, and to the wider delivery of the whole plan.

Background Papers: the following background papers were used in the preparation of this report:

Annual Governance Statement 2015/2016

Delivering Good Governance in Local Government – CIPFA/SOLACE 2016

Annual Audit Letter

Equality Impact Assessment: Initial Screening Document

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How did we do in 2016/17?

How well were we governed and how
well did we perform?

**SCDC's annual assessment of its
governance and performance
during the year
to 31 March 2017**

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(1) INTRODUCTION AND PURPOSE OF THIS DOCUMENT

1.1 This document is an assessment of our “governance”, but what do we mean by that word? There is no legal definition of “governance”, but we believe it is best summarised as having:

- the right **governance structures** (including constitution, committees, delegated powers, internal management structures and audit arrangements)
- the right **plan of action** (including **vision, aims, approaches and ambitions**); and
- the right **way of operating** (including openly, honestly and efficiently)

So that we deliver:

- the **right services**, to the **right people**, at the **right price** and at the **right time**.

1.2 Further guidance is given by CIPFA (the Chartered Institute for Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives), which, in 2016, jointly published an updated Framework for Delivering Good Governance in Local Government.

1.3 This guidance sets out seven core principles of good governance, which we think are compatible with the summary above. CIPFA/SOLACE lists these core principles as:

1. **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.**
2. **Ensuring openness and comprehensive stakeholder engagement.**
3. **Defining outcomes in terms of sustainable economic, social and environmental benefits.**
4. **Determining the interventions necessary to optimise the achievement of the intended outcomes.**
5. **Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**
6. **Managing risks and performance through robust internal control and strong public financial management.**
7. **Implementing good practice in transparency, reporting and audit to deliver effective accountability.**

1.4 The law requires each council to produce an annual statement to provide assurance that it is a well-governed organisation with the right policies and controls in place to ensure excellent public services are delivered and public money is spent wisely. **This is called our ‘Annual Governance Statement’ and includes a ‘review of effectiveness’, where review how well all our processes**

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are working to make sure we do things well and in the right way. This report seeks to provide this assurance in respect of South Cambridgeshire District Council.

1.5 We need to demonstrate that we meet the requirements of the Accounts and Audit Regulations 2015 which require the publication of a statement on internal control which shows that we manage risk to a reasonable level. We must also fulfil our duty under the Local Government Act 1999 to continually improve the way we function, having regard to economy, efficiency and effectiveness.

1.6 Governance matters because **good governance produces good results**. Governance can sometimes be difficult to measure; however, the delivery of positive outcomes arising from the implementation of our Corporate Plan (in line with core principles (3) and (4) above) is not only the ultimate test of good governance but also an indicator that our underlying culture, values, systems and processes are also sound. This report therefore signposts to performance reports setting out how far we achieved the objectives we set ourselves, in terms of positive outcomes for our communities, and how we performed against key performance measures of the effective running of the business.

1.7 Some people will, rightly, question whether it is right that we report on ourselves: surely that gives rise to a conflict of interest? In response, we would say that:

- we are required to do so;
- we have tried to be as objective as possible in summarising our performance against our corporate objectives, linking these wherever possible to demonstrable outcomes and specific performance measures;
- feedback from external stakeholders, including residents has contributed significantly to our assessment of how far we have delivered;
- all political groups – those in control of the council and those in opposition or independent – have been given the opportunity to input into this report, challenging its content where appropriate; and
- this report is only part of the overall process, as we are also subject to internal and external audit.

This report is written under the authority of the council's Audit and Corporate Governance Committee, who approved it formally on *[Insert date]* 2017. It has been signed by the Leader (an elected Councillor) and Chief Executive (an Officer) and published with the final accounts. It was submitted to our external auditors along with our annual accounts prior to publication, and the auditors considered whether the information submitted met their expectations as part of their annual opinion, also published in *[month]* 2017.

(2) GOVERNANCE STRUCTURES

2.1 In the Introduction above, the first thing we said was that we should have the right governance structures in place. This section reviews those structures. We govern ourselves through **Council**, an

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Executive Management Team (EMT), Cabinet and Committees, and we have many **policies** in place that govern our activities and which we follow. These are listed in turn below:

Council

2.2 The Council met six times during 2016/17 – it agreed the Council’s budget and policy framework, primarily consisting of our Corporate Plan, Medium Term Financial Strategy (MTFS), annual capital and revenue estimates and Council Tax and, at an extraordinary meeting, endorsed county-wide devolution proposals. Of the 57 Councillors, the numbers attending were respectively 53, 50, 48, 55, 43 and 47. All meetings of Council were held in open forum and considered reports and recommendations from Cabinet and other committees. Details of agendas and minutes can be found at SCDC Council Agendas and Minutes [SCDC Council Agendas and Minutes](#)

Cabinet

2.3 The Cabinet, or Executive, is the Council’s principal decision-making body charged with implementing the budget and policy framework agreed by Council, consisting of elected Councillors, appointed by the Leader of the Council, each with an area of responsibility called a ‘portfolio’. Across the country, councils are allowed to choose between a number of models for their committee structures. We have been using the Cabinet model since 2001, and although the Cabinet can be made up of any political proportion, at the moment all our Cabinet Members come from the majority political party. Cabinet met five times during 2016/17 – details of agendas and minutes can be found at [SCDC Cabinet agendas and minutes](#).

Executive Management Team and structure

2.4 The management team structure (i.e. employees, who we call ‘Officers’, as opposed to elected Councillors) comprises a strategic Executive Management Team of Chief Executive and Directors, supported by an operational Corporate Management Team (CMT), introduced during the year, of Heads of Service. Both held formal monthly meetings during the year, in addition to which EMT held regular informal meetings and away days to consider policy formulation and future planning.

During 2016/17 EMT comprised the following (at 31 March 2017):

- Alex Colyer, Interim Chief Executive
- Susan Gardner Craig, Head of People and Organisational Development
- Mike Hill, Director of Health and Environmental Services
- Stephen Hills, Director of Housing
- Stephen Kelly, Director of Planning and Economic Development (Joint Post with Cambridge City Council)

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CMT comprised the following senior managers (at 31 March 2017):

- Gemma Barron, Sustainable Communities and Partnerships
- Myles Bebbington, Environmental Health and Licensing
- Gareth Bell, Communications
- Phil Bird, Business Improvement and Efficiency and Facilities Management
- Katie Brown, Revenues
- Susan Carter and Heather Wood, Housing Advice and Options (Job Share)
- Julie Fletcher, Housing Strategy
- Anita Goddard, Housing Services
- Dawn Graham, Benefits and Customer Contact Service
- Jane Green, New Communities
- Caroline Hunt, Planning Policy
- Jane Hunt, Shared Waste Service (with Cambridge City Council)
- Richard May, Policy and Performance
- Paul Quigley, Environment Commissioning
- Caroline Ryba, Finance
- Sarah Stevens, Development Management
- Paul Sumpter, Digital Services and ICT (Shared)
- **Statutory Officers**

We are required to appoint individuals with the necessary skills, knowledge, experience and resources to effectively perform the following statutory positions

- **Alex Colyer**, Interim Chief Executive and **Head of Paid Service**: ultimately responsible for the welfare of the Council's employees.
- **Alex Colyer**, Interim Chief Executive and **Chief Financial Officer** : responsible for looking after the financial affairs of the Council and for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972. The Council's financial management arrangements conform to the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010). Caroline Ryba (Head of Finance, Policy and Performance), was the Council's Deputy Chief Finance Officer (a shared post with Cambridge City Council).

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- **Tom Lewis**, Head of Shared Legal Practice and **Monitoring Officer** - the **Monitoring Officer** is responsible for ensuring that decisions by the Council are legal, and are made in an open and transparent way. The Monitoring Officer also reviews any reports or complaints about councillor conduct and behaviour. Eight new Code of Conduct Complaints were received and dealt with under the Localism Act 2011 during 2016/17 . One is currently on-going.

There were three complaints which started before April 2016. One did not proceed because the Councillor resigned, one went for investigation and the investigator concluded that there was no breach the code of conduct and the last one was withdrawn by the complainant before an investigator was appointed. *Note:* These figures do not include complaints received that either didn't fall under the Code of Conduct or were passed to Parish Councils for them to consider using the parish complaints procedure.

Audit and Corporate Governance Committee

2.5 This Committee met three times during the year. Its main purpose is:

- reviewing and advising on the effectiveness of governance arrangements including risk management and internal controls
- approving the Statement of Accounts, agreeing the Annual Governance Statement (this document) and confirming the annual Audit Risk Index and Strategic Audit Plan
- commissioning studies as appropriate (including on 'Value for Money'),
- recommending action to the Council in respect of any issues of major concern arising from audit reports and/or management letters
- monitoring overall efficiency and effectiveness of internal and external audit
- monitoring the use of directed surveillance under the Regulations of Investigatory Powers Act (RIPA)
- receiving information from the Chief Finance Officer or Monitoring Officer of any suspected fraud, maladministration or illegality.

Civic Affairs Committee

2.6 This Committee met three times during the year. Its main purpose is:

- reviewing the Council's Constitution, including proposals for substantive changes for consideration by the Council (excluding those matters which are specifically included within the remit of other bodies on the Council)
- considering changes to electoral arrangements, (including District, ward and parish ward boundaries), and making recommendations to Council

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- setting ethical standards (as set out in Article 9.03 of the Council's constitution) and monitoring the Council's Code of Conduct and those of all parish councils in the district

Information about the Committee's work during 2016/17 was presented to the Annual Council Meeting on 25 May 2017.

Employment Committee

2.7 The Employment Committee deals with the appointment of senior management, re-gradings and disciplinary and grievance issues. It met once during the year.

Scrutiny and Overview Committee

2.8 The Scrutiny and Overview Committee consists of 9 non-Executive members (ie. not members of the Cabinet) whose role is to hold Cabinet decision takers to account, focusing on issues considered as 'internal'.

It monitors the performance of the Leader and Cabinet, scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement.

Partnerships Review Committee

The Partnerships Review Committee's remit is externally focused with members scrutinising, challenging and holding decision takers to account on issues relating to the work of those organisations in the council's area, including formal partnerships.

2.10 Information about the Overview and Scrutiny and Partnerships Review Committees' work during 2016/17 is available to view in the annual [report](#) presented to the Council's Annual Meeting on 25 May 2017.

The Council also has other committees (planning, licensing etc) but, as these are not concerned directly with governance arrangements, they are not listed here.

Policies

2.10 The table below lists the Council's main documents, policies and procedures which underpin our assurance framework; we refer to and follow these, to make sure we do things consistently and in the right way. All these policies have been approved by your elected Councillors where required and all are available for inspection at the Council's [main offices](#) as well as via our [website](#).

The Council has put procedures in place to ensure informed and transparent decisions which are subject to effective scrutiny and management of risk. The Council has a Risk Management Strategy which is reviewed annually by Council alongside a strategic risk register which is

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reviewed quarterly by senior officers and members. It also has a Code of Conduct for staff incorporated in the Constitution, Capability and Disciplinary Procedures and a Whistleblowing policy.

Compliance with the Council's Anti- Theft, Fraud and Corruption Policy is monitored by the internal auditors in liaison with the council's Fraud Team. The National Fraud Initiative has led to the delivery of investigating fraud becoming part of the Single Fraud Investigations Service within the Department of Work and Pensions (DWP). Internal Audit carried out a review of the Council's anti-fraud arrangements during 2015-2016, against CIPFA best practice guidelines. We have since carried out a project to draw up options for an integrated corporate framework for addressing fraud, as part of which all relevant policies will be reviewed and updated, and will adopt a Fraud Policy during 2017-2018.

The Council is committed to the ongoing development of its staff and members. The Council achieved gold accreditation from Investors in People (IIP), reflecting outstanding practice in a number of key areas. The Finance and Staffing Portfolio Holder has agreed a People and Organisation Development Strategy for 2016-2020 which will enable the Council to implement recommendations arising from the last IIP towards and consider whether to seek Platinum status in 2018; the new strategy includes priorities for Member development, removing the need for a separate Member Development Strategy.

<i>Documents underpinning assurance framework</i>	<i>Contact Officer</i>	<i>Last updated</i>
Code of Corporate Governance	Tom Lewis	September 2017
Constitution (including Procurement Strategy, Finance and Contract Regulations and Codes of Conduct)	Tom Lewis	May 2017
Medium Term Financial Strategy	Caroline Ryba	February 2017
People and Organisational Development Strategy	Susan Gardner Craig	July 2016
Risk Management Strategy	Suzy Brandes	June 2017
Anti-Fraud and Corruption Policy	Mike Hill	September 2013
Whistleblowing Policy	Tom Lewis	September 2013
Corporate Plan	Richard May	February 2017
Business Plans	Richard May	April 2017
Statement of Accounts	Caroline Ryba	September 2016

2.11.1 Governance arrangements for shared services are documented in shared service collaboration agreements.

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2.11.2 The corporate website, residents' magazine and social media channels, inform and engage residents and other stakeholders in service delivery and policy formulation.

3. VISION, AIMS, AND OBJECTIVES

3.1 In the introduction to this document, the second thing we said we needed was the right plan of action.

During 2016-2017, the Council's Vision was as follows:

"South Cambridgeshire will continue to be the best place to live, work and study in the country. Our district will demonstrate impressive and sustainable economic growth. Our residents will have a superb quality of life in an exceptionally beautiful, rural and green environment.

3.2 Each year we agree a rolling five-year **Corporate Plan**, showing how we will work towards this Vision. The 2016-2021 Corporate Plan had four strategic **aims**:

- A. Living Well: Support our communities to remain in good health whilst continuing to protect the natural and built environment (in pursuance of governance principles 3-4).**
- B. Homes for Our Future: Secure the delivery of a wide range of housing to meet the needs of existing and future communities (in pursuance of governance principles 3-4).**
- C. Connected Communities: Work with partners to ensure new transport and digital infrastructure supports and strengthens communities and that our approach to growth sustains prosperity (in pursuance of governance principles 2-4).**
- D. An Innovative and Dynamic Organisation: Adopt a more commercial and business-like approach to ensure we can continue to deliver the best possible services at the lowest possible cost (in pursuance of governance principle 5).**

3.4 We identified specific actions showing how we would meet each aim, performance against which is summarised in Appendix 1. The full 2016-2021 Corporate Plan is available to view [here](#).

3.5 Councillors agreed a revised Corporate Plan in February 2017, retaining the Council's Vision and aims, updating actions to reflect completed projects, continuing, changing and emerging priorities. .

The 2017-2022 Corporate Plan is available to view [here](#).

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4. REPORTING

4.1 In the Introduction, we said that we needed the right way of operating so that, as outputs, we deliver the right services, to the right people, at the right price, and the right time. We also identified strong performance against key corporate aims and indicators as a mark of good governance in itself, as well as a sign that the underlying governance is also working properly. This section reviews how we operated and delivered.

Regular reporting

4.2 We publish an annual [Statement of Accounts](#) made up of:

- **Statutory accounts:** The format of these is set by accounting regulations, and we recognise that these are hard for many people to understand. To help make them comprehensible, we add an 'explanatory foreword'.
- **Plain English Accounts** - these are intended to be a straightforward and comprehensible version of the statutory accounts.

With respect to the Council's Vision and Objectives mentioned above, we publish:

- **Corporate Plan and in-year three, six, nine-month and year-end progress reports.**

These documents can be found at our [Performance Page](#).

5. REVIEW OF EFFECTIVENESS

5.1 The Council must review the effectiveness of its governance arrangements annually by considering the work of Members and Officers on the development and maintenance of the governance environment, the head of internal audit's annual report and comments by external auditors and other review agencies and inspectorates.

Auditing and monitoring

5.2 The Council is subject to the following principal auditing and monitoring processes, which are intended to be objective and (where necessary) critical:

- **Internal audit:** 5.2.1 Since 2013 we have been part of a shared service internal audit arrangement with Cambridge City Council and Peterborough City Council. Internal audit carried out 242 days work during 2016-2017 on a number of specific areas identified in a plan agreed at the start of the year. For each area, we asked them to check our policies and procedures; report on a graded system as to how they think each area is doing; and to make recommendations for changes to our procedures. We then prepared management responses to each of their recommendations. The 2016/17 Internal Audit annual report, setting out details of all the areas they investigated; how many hours they spent doing so; what grading

they gave; how many major/minor recommendations they made; and how many of these we accepted, can be found [here](http://scambs.moderngov.co.uk). (<http://scambs.moderngov.co.uk>)

- The Head of Internal Audit provided a reasonable assurance that the systems in place at South Cambridgeshire District Council were appropriate and met with expectations. Through the annual report and through his general observations, the Head of Internal Audit identified the following potentially significant governance issues requiring attention during 2017/18. These are set out below, with management responses, lead officer and timescales also identified:

Issue	Observation	Management Response	Lead Officer	Timescale
Shared Financial Management System (FMS) implementation	The Council is in the process of implementing a new Financial Management System (FMS), Tech 1, which is due to be fully implemented across three authorities. The Financial Management System is a key corporate system that underpins the whole of the Council's financial control arrangements and it is therefore imperative that there is a robust process for implementing the new system. Shared Internal Audit has been heavily involved in reviewing the arrangements for implementing the new FMS, including project management arrangements, ensuring that appropriate controls are built into new processes and advising the project board on any concerns arising. This work will continue into 2017/18 to help ensure the successful implementation of the new system.	The implementation project team is preparing for user acceptance testing of the new product. Some issues have been identified, which we are working with the software developer to resolve.	Caroline Ryba	To be confirmed, following the conclusion of User Acceptance Testing
Combined Authority	Appropriate governance arrangements need to be in place to ensure that South Cambridgeshire District Council's interests are protected through the work of the Combined Authority. The Council needs to develop effective	SCDC has appointed Members to key positions within the Combined Authority: - Combined Authority (Cllr Peter Topping , with Cllr Nick Wright as Deputy)	Alex Colyer	Agree reporting relationships with SCDC political management framework by 30 Sept 2017

	partnership relationships with the new authority.	- Scrutiny Committee (Cllrs John Batchelor and Alex Riley) - Audit Committee (Cllr Andrew Fraser)		
Corporate Governance: Gifts and Hospitality	No assurance was report into this activity following internal audit. A lack of evidence was available in relation to declarations, although steps have been adopted to address this.	The Head of Legal Practice will instigate a full review following the appointment of the Deputy Monitoring Officer	Tom Lewis	TBC

The Council's assurance arrangements conform with the governance requirements of CIPFA's Statement on the Role of the Head of Internal Audit in Local Government (2010)

External audit: 5.2.2 Ernst and Young was the external auditor of the Council. It performed work on the accounts and other documents and processes; checked that we are delivering good value for money; and provided an audit opinion at the end of that work. In 2016-17 it gave the Council an *[qualified/unqualified]* opinion on the council's financial statements, stating:

[to follow]

The full report *[will be]* available here *[insert link]*

Other external assurance sources: 5.2.3 During 2015-2016 the Council achieved Gold Standard accreditation against the Investors in People (IIP) standard, demonstrating outstanding practice in a number of areas, in compliance with Core Principle (5):

'Developing the entity's capacity, including the capability of its leadership and the individuals within it.'

Peer Review: 5.2.4 The Council underwent a Peer Review Challenge by the Local Government Association (LGA) in November 2016. The Peer Review Team, made up of senior members and officers from other local authorities, assessed the extent to which the Council was meeting the challenges facing it in terms of community leadership, place-shaping and running an effective business. The Review Team found many areas of strength and improvement, identifying the Council's clear direction and strong political and managerial leadership, with focused plans in place to deliver its objectives, which are based on a good understanding of the needs of the area. The Council had achieved huge improvements in performance over the past decade and had a sound track record on delivering savings to meet cuts to national funding whilst still meeting the needs of local people. The team made a

number of recommendations for further improvement, which have been developed into an action plan which is aligned to the Corporate Plan 2017-2022 and 2017/18 business plans. The review team will return to the Council within 12-18 months of the review to assess progress. Further information, including the review team's full report, is available on our [website](#).

Benchmarking Housing Performance: 5.2.5 The council's housing service has a number of external methods of scrutinising its performance. The Affordable Homes Directorate submits its key financial and performance data to Housemark, a national benchmarking service, which allows the Council to compare its performance with other landlords across the country. In line with the Homes & Communities Agency regulatory framework for housing organisations, the council has established an independent tenant lead scrutiny body that undertakes scrutiny reviews of the housing management service. During 2016/17 the Council was shortlisted for Outstanding Landlord of the Year, impressing judges with its innovative approach to delivering efficient services and outstanding homes and identifying specific initiatives such as Ermine Street Housing and the trusted handyperson scheme.

Major Opposition Leader's annual statement: 5.2.6 Another 'critical friend' of the Council is the Leader of the largest opposition political party. For SCDC in 2016/17, when the majority of Councillors were Conservative, the Major Opposition Leader was Cllr Bridget Smith, leading the Liberal Democrat Group. The Major Opposition Group Leader's Annual statement for 2016-17 can be found here:

[Major Opposition Group Leader's Annual Statement](#)

There were also seven members of the Independent Group, one Labour councillor and one non-group councillor.

Analysis performed for this Governance statement

5.3 In drawing up this governance statement we have reviewed the objectives and actions in the Corporate Plan from a governance and performance basis, as set out in [performance reports](#). For each action, these reports:

- identify actions
- asks 'how did we do?'
- asks 'what's still left to do?'

5.4 We believe that a study of the review of Corporate Plan performance shows that our results and performance were good, when measured against the visions, aims, approaches and actions that we set ourselves. Taken together with the governance framework and review of effectiveness set out in this statement, we may conclude that our governance was also good.

6. OPPORTUNITIES FOR IMPROVEMENT

6.1 Last year, the Head of Internal Audit made a number of observations regarding potentially significant governance issues requiring attention during 2016/17, all of which were accepted by the Council's management. These are set out in the following table, along with details of actions undertaken to address each.

TABLE THREE

Observation	Progress Update	Lead Officer(s)	Timescale
1. 3C shared services was set up in October 2015. The Council should review the effectiveness of its governance arrangements and outcomes achieved in relation to these in order to establish whether or not value for money is being achieved and the original expectations met.	Scrutiny and Overview Committee begun to receive Shared Services performance reports from February 2017. Performance reports will be submitted as part of regular performance management arrangements during 2017/18.	Brian O'Sullivan / Richard May	March 2018
2. Ensure the replacement Financial Management System is delivered to timescale and meets expectations of all Councils. This will include appropriate testing prior to the system going live and being rolled out across partners.	A number of issues have been identified at the design stage that require addressing by the supplier. As a result the implementation date has been delayed from April to October 2017. Detailed testing of the system is underway.	Caroline Ryba	To be confirmed, following the conclusion of User Acceptance Testing
3. Following the departure of a number of senior officers, review the effectiveness of continuity planning/handover arrangements within directorates.	The Council used a combination of temporary contracts, agency staff and Acting Up arrangements to ensure continuity in key posts during the year, including Chief Executive, Head of Shared Waste and Head of Development Management.	Susan Gardner Craig	March 2017
4. Assess the possible impacts of changes imposed by government upon the viability of the business model for Ermine Street Housing	Ermine Street Housing has business plans and risk registers in place to be able regularly to assess and react to potential impacts. A company board including newly appointed independents has been recruited. Adjustments to the business plan have been made and a new viable business plan approved by the Board in February 2017.	Alex Colyer / Stephen Hills	December 2016 – complete but kept under review
5. In light of a number of services being shared between authorities, there is an opportunity to rationalise policies and procedures. Initial areas to focus on relate to HR	Risk management strategies have been reviewed with the aim of aligning these with partners. Further consistency with partners has been achieved through the adoption of the 4Risk system,	Phil Bird Brian O'Sullivan Caroline Ryba	March 2017

and Risk Management.	enabling risk management to be integrated more fully into operational management.		
6. Ensure the effectiveness of internal controls for group entities, in light of the Group relationship with South Cambs Ltd (trading as Ermine Street Housing) and SCDC's significant activities with the company.	<p>The following controls are in place and planned:</p> <ul style="list-style-type: none"> - Internal audit periodic reviews of company to provide assurance on reliability of processes and procedures - External audit of company audit, independent of SCDC accounts - Submission of company business plan to Cabinet - SCDC Chief Finance Officer (Executive Director) is company Board Member - Company Board includes Non-Executive Directors 	Alex Colyer / Stephen Hills	Complete, but kept under review

6.2 We consider that the Council's governance arrangements are fit for purpose in accordance with the governance framework.

We, the Leader and Chief Executive, undertake over the coming year to continue to monitor our governance arrangements to ensure they remain fit for purpose. We are satisfied that they were effective in 2016/17, and will reflect and report on their operation and effectiveness as part of our next annual review.

Signed.....

Beverly Agass

Chief Executive

Signed.....

Councillor Peter Topping

Leader of the Council

8. CONCLUSION

The Council's Audit and Corporate Governance Committee is responsible for ensuring that the Council complies with its own governance code, including monitoring the effectiveness of the governance framework and ensuring plans are put in place to address any weaknesses and ensure continuous improvement of the system. The Committee believes that it has discharged that responsibility, and that this report is evidence of that. We recognise that there will always be room for improvement (which will need to be balanced by the costs associated with that, and whether the 'law of diminishing returns' applies), but on balance we are delighted to report that **we believe that, during 2016/17, the council was well-governed, and performed well.**

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South Cambridgeshire District Council - Code of Corporate Governance

Presented to Audit and Corporate Governance Committee: 29 September 2017

A Council's Code of Corporate Governance is:

“The system by which local authorities direct and control their functions and relate to their communities”

Guidance from CIPFA and SOLACE suggests each local authority should develop and maintain a Code of Corporate Governance based on seven *new* core principles, supported by sub-principles, that should underpin the governance structure for the whole Council. The seven new core principles of good governance are as follows:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practice in transparency, reporting and audit to deliver effective accountability.

The Council's governance arrangements during 2016-2017 have been evaluated against the seven new principles above. The Council's Audit and Corporate Governance Committee will be asked to approve the Code at its meeting on 29 September 2017.

This Code takes each of the principles of good governance in turn and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance. The Code will be reviewed annually through the Annual Governance Statement process, which will identify the actions to be taken to enhance the code or address any limitations with in it.

Tom Lewis

Head of Legal Practice and Monitoring Officer

September 2017

APPENDIX B (AUDIT AND CORPORATE GOVERNANCE COMMITTEE, 29 SEPTEMBER 2017)

Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Sub-principles	How does the District Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> - Behaving with Integrity - Demonstrating Strong - Commitment to Ethical Values - Respecting the rule of Law 	<p>The Council expects the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values.</p>	<p>Constitution</p>
	<p>The standards of conduct and personal behaviour expected of Members and staff is set out in the Employee Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol. An up-to-date register of Member and Officer Senior Officer Interests is maintained.</p>	<p>Employee Code of Conduct Member Code of Conduct Member/Officer Protocol Register of Interests</p>
	<p>The Council has appointed two “independent persons” to support this, in accordance with the requirements of the Localism Act, 2011.</p>	
	<p>The Council has put in place procedures for considering complaints so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed. SCDC has a key performance measure for the timeliness of complaint responses.</p>	<p>Complaints Procedure Quarterly Performance Reports</p>
	<p>The Council's Civic Affairs Committee is responsible for constitutional issues and ensures that the constitution is monitored and updated when required.</p>	<p>Terms of Reference for Civic Affairs Committee</p>
	<p>The terms of reference of the Civic Affairs committee are detailed in the Constitution and include responsibility for advising on the Council's ethical framework and the promotion of openness, accountability and probity to ensure the highest standards of conduct.</p>	<p>Constitution</p>
<p>The Council maintains a Whistleblowing policy to enable confidential</p>	<p>Whistleblowing Policy</p>	

	<p>reporting of suspected breaches of the Employee Code of Conduct or unethical behaviour. It also maintains an Anti-Fraud and Corruption Policy. Both policies are reviewed periodically by the Audit and Corporate Governance Committee.</p> <p>The Council’s standing orders and financial regulations put in place processes designed to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p> <p>The Council operates within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the District and its residents.</p> <p>The Head of Legal Practice is the Council’s Monitoring Officer, responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p> <p>The Council ensures that Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</p> <p>The Council has a clear Procurement Strategy designed to meet the Council’s wider objectives and Contract Procedures Rules designed to deliver robust and fair procurement processes.</p>	<p>Anti-Fraud and Corruption Policy</p> <p>Financial Regulations</p> <p>Constitution</p> <p>Monitoring Officer Role Description and Article 12 of Constitution</p> <p>Recruitment, selection and training policies</p> <p>Procurement Strategy. Contract Procedure Rules</p>
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APPENDIX B (AUDIT AND CORPORATE GOVERNANCE COMMITTEE, 29 SEPTEMBER 2017)

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Principle B – Ensuring openness and comprehensive stakeholder engagement		
Sub-Principles	How does the District Council achieve this?	Supporting Evidence
<p>-Openness - Engaging comprehensively with Institutional stakeholders -Engaging stakeholders effectively, including citizens and service users</p>	<p>The Council holds its meetings, and those of its committees and Cabinet Portfolio Holders in public unless there are good reasons for confidentiality or a relevant exemption applies. The public are allowed to ask questions at all Council and committee meetings.</p> <p>The Council records the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and makes agenda papers and minutes available on the Council’s website. The Council also records and publishes on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</p> <p>Officers use standard report templates for committee and executive reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.</p> <p>The Council has a Joint Development Control Committee with the County Council and Cambridge City Council for decisions affecting growth sites bordering South Cambridgeshire and Cambridge City.</p> <p>The Council has a clear understanding of the needs of the district, strategically and locally, gathered from an understanding of our communities and the wider sub-region; ability to ‘drill-down’ to contextualise data which, at district-level, may hide vulnerability</p> <p>The Council uses local intelligence to shape services and partnerships.</p>	<p>Committee Agendas Constitution Committee Forward Plan</p> <p>Agendas and Minutes of Committees Council Website</p> <p>Standard Report Templates</p> <p>Terms of Reference of Joint Development Control Committee</p> <p>Corporate Plan</p> <p>Case studies identified in Position Statement 2016</p>

	<p>The Council has valued engagement mechanisms in place e.g. agents and parish forums, tenant participation group</p> <p>The Council tailors its 'offer' to suit customer need e.g. Business Hub, Key Accounts, major developments, demand-led charging structures</p> <p>The Council operates in accordance with principles of partnership working agreed with our key partner organisations.</p> <p>The Council proactively leads local partnerships e.g. monthly multi-agency meetings to share intelligence and take action on issues such as anti-social behaviour and fly-tipping</p> <p>The Council ensures that the authority as a whole is open and accessible to the community, service users and its staff.</p> <p>The Council promotes the role of Councillors and lets the public know who the Councillors are, what roles they have on the Council and how to contact them.</p> <p>The Council makes clear through its website and other Council publications the services that it is responsible for, how people can contact the Council and the service standards they can expect.</p> <p>The Council undertakes surveys of residents to ensure that it has up to date information about their priorities and levels of satisfaction with the Council and its services.</p>	<p>(prepared for LGA Peer Challenge)</p> <p>Constitution Cambridgeshire Compact</p> <p>Terms of Reference for multi-agency groups</p> <p>Customer Contact Centre, service standards and South Cambridgeshire Hall access.</p> <p>Council website. South Cambs magazine</p> <p>Council website Council Tax leaflet South Cambs magazine</p> <p>Consultation Panel. Corporate Plan annual consultation and engagement. Statement of Community Involvement</p>
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	<p>The Council’s consultation programme ensures that the Council proactively seeks the views of a wide range of people and engages with all sections of the community effectively.</p> <p>The Council seeks to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints. The Council ensures it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining how it has reached decisions.</p> <p>The Council undertakes Equality Impact Assessments of all major policies and decisions and takes action to implement changes required, to ensure that council services and policies consider the diverse needs of its service users and citizens.</p> <p>It has an Equality Scheme covering all protected characteristics under the Equality Act 2010, containing commitments which are aligned to Corporate Plan objectives and reviewed annually.</p> <p>The Council recognises two Trade Unions and holds regular liaison meetings involving the Chief Executive and Head of People and Organisational Development.</p>	<p>Regular customer satisfaction surveys by directorates and associated key performance measures</p> <p>Cabinet reports. Statement of Community Involvement South Cambs Magazine</p> <p>Equality Implications section in standard report template. Completed Equality Impact Assessments published on SCDC website</p> <p>Equality Scheme 2015-2020</p> <p>Trade Union Agreements</p>
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Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits		
Sub-Principles	How does the District Council achieve this?	Supporting Evidence
<p>-Defining Outcomes - Sustainable economic, social and environmental benefits</p>	<p>The Council has a clear vision for the District and sets objectives to guide the Council's activities.</p> <p>It reviews those objectives each year, through Quarterly Position Report and the Corporate Plan and budget planning cycles.</p> <p>The Council proactively contributes to key strategic partnerships, reflecting partnership objectives within its Corporate Plan where appropriate e.g. Health and Well-being, Local Enterprise Partnership, Greater Cambridge Partnership, Cambridgeshire and Peterborough Combined Authority</p> <p>Council Business Plans assess improvement projects for their economic, social and environmental benefits</p>	<p>Vision Corporate Plan Medium Term Financial Strategy</p> <p>Business Planning Cycle and associated guidance</p> <p>Partnership objectives and websites</p> <p>Business Plans</p>
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes		
Sub-Principles	How does the District Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> • Determining Interventions • Planning Interventions • Optimising achievement of intended outcomes 	<p>The Council has a Medium Term Financial Strategy to resource its aspirations and to assess and plan for any financial risks. The strategy is reviewed annually.</p> <p>The Council puts service to the public first. The annual business planning process is used to agree the priorities for the Council. The Corporate Plan expresses the strategic objectives for the Council over the financial year 2017/18 and beyond.</p> <p>Alongside each of the objectives are detailed the particular outcomes to be achieved and performance measures that provide evidence that the outcomes are being delivered.</p>	<p>Medium Term Financial Strategy</p> <p>Corporate Plan Agendas for Cabinet and Council – February 2017</p> <p>Quarterly Position Reports on Finance, Performance and Risk</p>

	<p>This information enables members and the services contributing to the delivery of the plan to be clear about the priorities for the Council and assists in decisions about where resources should be focussed.</p> <p>Directors and Heads of Service prepare annual Business Plans indicating how they will meet objectives set in the corporate plan and setting out their priorities and work programmes for the year ahead.</p> <p>The Council’s overall spending plans are set out in an annual Budget Setting report for both revenue and capital expenditure.</p> <p>There are arrangements in place for regular budget monitoring and the reporting of significant variances to senior management.</p> <p>The Council works to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using other providers where these are the best options.</p> <p>The Council seeks expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services. The Council has LGA membership.</p> <p>Performance against key Performance Indicators for each service are prepared for and presented to the Corporate and Executive Management Teams and Members to consider necessary remedial action.</p>	<p>Business Plans</p> <p>Budget Setting Report</p> <p>Quarterly Position Reports on Finance, Performance and Risk</p> <p>Efficiency Plan</p> <p>LGA Peer Challenge, November 2016 (Positon Statement and Final report) Housemark, CIPFA and Rural Services Network benchmarking.</p> <p>Quarterly Position Reports on Finance, Performance and Risk</p>
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APPENDIX B (AUDIT AND CORPORATE GOVERNANCE COMMITTEE, 29 SEPTEMBER 2017)

Principle E – Developing the Council’s capacity, including the capability of its leadership and the individuals within it		
Sub-Principles	How does the District Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> •Developing the Council’s capacity •Developing the capability of the entity’s leadership and other individuals 	The Council sets out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution.	Constitution
	The scheme of delegation within the Constitution makes clear which matters are reserved for collective decision-making by Council.	Constitution
	A Member/Officer protocol is used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working.	Member/Officer Protocol
	The Council’s Chief Executive is its Head of Paid Service responsible and accountable to the authority for its operational management.	Constitution
	When working in partnerships the Council ensures that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council.	Partnership Terms of References
	The behaviour expected of staff and managers is set out in the Council's competency framework and this is used as the basis for staff performance appraisal.	Corporate Values Management Competency Framework Grievance and Disciplinary Procedures IIP Accreditation
	The Council holds the Gold level of the Investors in People standard.	
	The Council’s Organisational Development Strategy sets out how the Council will recruit, reward and develop its staff to reach their full potential.	Organisational Development Strategy
Staff joining the Council are offered an induction programme and their training and	Council Induction	

	<p>development needs are reviewed regularly through the Council’s annual performance review process, which applies to all staff.</p> <p>The Council has up-to-date job descriptions. It sets and monitors clear objectives for Officers through the annual performance review process.</p> <p>It agrees appropriate remuneration for officers based on a nationally-recognised job evaluation scheme for the public sector, supplemented with local conventions.</p> <p>The Council runs a Leadership Development programme for current and aspiring managers</p> <p>The Council offers all new Members an induction programme and the opportunity to develop, with a briefing and development programme to meet their needs. The Council also provides resources for training, attending conferences/seminars and briefings in-house for all elected Members. It keeps a register of the training received by Members and involves Members in reviewing training needs and the resources available during the year.</p> <p>The Council obliges Members to have appropriate training or briefing before performing certain roles (e.g. dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).</p>	<p>Programme</p> <p>Performance and Development Review Scheme</p> <p>Job Evaluation Scheme Pay Policy</p> <p>Leadership Development Programme</p> <p>Member Induction Programme</p> <p>Member Training Programme</p>
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Principle F – Managing risks and performance through robust internal control and strong public financial management		
Sub-Principles	How does the District Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> •Managing Risk •Managing Performance •Robust Internal Control •Managing data •Strong public financial management 	The Council has a Risk Management Strategy, supplemented by procedures and guidance.	Risk Management Strategy, Procedures and guidance
	It undertakes systematic risk assessments in all areas of Council activity, including those covered by Health and Safety legislation.	Risk Assessments
	It maintains strategic and service risk registers which are reviewed regularly.	Strategic and Service Risk Registers
	The Council ensures that risk management is embedded into the culture of the authority, with managers at all levels recognising that risk management is part of their job.	Risk Management Strategy and Guidance
	Risk assessment is incorporated into the Council’s decision making and Members are advised of the Council’s risk profile at key stages.	Report template
	The Council respects the personal data of its citizens, employees, suppliers and others. The Council may communicate with in line with the principles of the Data Protection legislation and makes this clear in its own Data Protection Policy.	Information Governance Policies
	The Council respects the privacy of members of the public when carrying out investigations and ensures that privacy is only interfered with when the law permits and there is clear public interest justification.	Regulation of Investigatory Powers Act 200 – Guidance
The Executive Director (Corporate Services) is the Council’s Chief Financial Officer and S151 Officer, responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Constitution and Job Description for Executive Director	

APPENDIX B (AUDIT AND CORPORATE GOVERNANCE COMMITTEE, 29 SEPTEMBER 2017)

	<p>The Council’s Scrutiny and Overview and Partnerships Review Committees undertake constructive challenge to enhance the Council’s performance.</p> <p>The Council also has clear protocols about Members’ access to information and officer advice to enable them to perform their roles.</p>	<p>Constitution</p> <p>Member-Officer Protocol</p>
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Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Sub-Principles	How does the District Council achieve this?	Supporting Evidence
<ul style="list-style-type: none"> •Implementing good practice in transparency •Implementing good practices in reporting •Assurance and effective accountability 	<p>The Council makes sure members of the public have access to information about the workings of the Council. It makes clear what information is routinely published through its Freedom of Information Publication scheme and responds promptly to requests for information. The Council publishes on its website all responses to Freedom of Information requests.</p> <p>Each year the Council publishes a Year-End Position Report and Statement of Accounts giving information on the authority's vision, strategy, performance, future plans and financial statements.</p> <p>Shared services arrangements with other local authorities or partners document their governance arrangements, which are clear, open and accountable.</p> <p>The Council maintains an independent Internal Audit function, with a risk-based annual audit plan, designed to test regularly that the Council’s policies and processes operate in practice and that the Council complies with legislation and good practice.</p> <p>The Head of Internal Audit produces an annual opinion on the Council’s internal control environment and the risk management framework to meet the requirements of the</p>	<p>Publication Scheme</p> <p>Freedom of Information Requests</p> <p>Year-End Position Report and Statement of Accounts</p> <p>Shared Services Collaboration Agreements</p> <p>Annual Audit Plan</p> <p>Head of Internal Audit Annual Opinion</p>

	<p>Public Sector Internal Audit Standards.</p> <p>The Head of Internal Audit Opinion is used to inform an Annual Governance Statement and this is signed off by the Chief Executive and Leader of the Council.</p> <p>The Council also agrees an annual work plan with its External Auditors to test the Council’s response to major legislation and the soundness of its financial and governance processes.</p> <p>Recommendations arising from internal and external audit and inspection processes are used to inform future decision-making.</p> <p>The Major Opposition Group Leader makes an Annual Report to Council.</p> <p>The Council uses an Independent Remuneration Panel to give advice on payments to Members and considers their advice when setting the Members’ Allowance Scheme. The Panel’s recommendations are set out in a public report to Council. The Scheme is available to view on the Council’s website and is subject to regular review.</p>	<p>Annual Governance Statement</p> <p>Audit and Corporate Governance Committee Terms of Reference, Reports and Minutes</p> <p>Annual Council Agenda</p> <p>Members’ Allowances Scheme</p>
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**Local
Government
audit committee
briefing**



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This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.





Government and economic news

EY Item Club Forecast

The latest EY Item Club forecast projects that UK GDP will grow by 1.8% this year, in line with last year's outcome. Rather than meaning that nothing has changed in the economy, it masks an underlying shift in the balance of demand following the fall in the pound after last June's Brexit vote – and means the economy is already adjusting to life outside the EU.

It expects growth to slow down during the course of this year, leaving 2018 and 2019 looking weaker at growth rates of 1.2% and 1.5% respectively.

As consumption grows, the shift in demand that's underway essentially involves a rebalancing from consumption to overseas trade. Last year, consumption effectively accounted for all the growth in demand, with overseas trade subtracting 0.4% from UK GDP growth. But with the savings ratio at a record low, this year sees a major slowdown in consumption as inflation bites into spending power. Meanwhile, net trade is projected to add to GDP in every year covered by this forecast.

This adjustment is being helped by a timely revival in our overseas markets. World trade and industrial output are growing faster than at any time since 2010, when they bounced back from the recession. For once, the recent economic data has surprised on the upside – not just in the UK but also in the US and Eurozone.

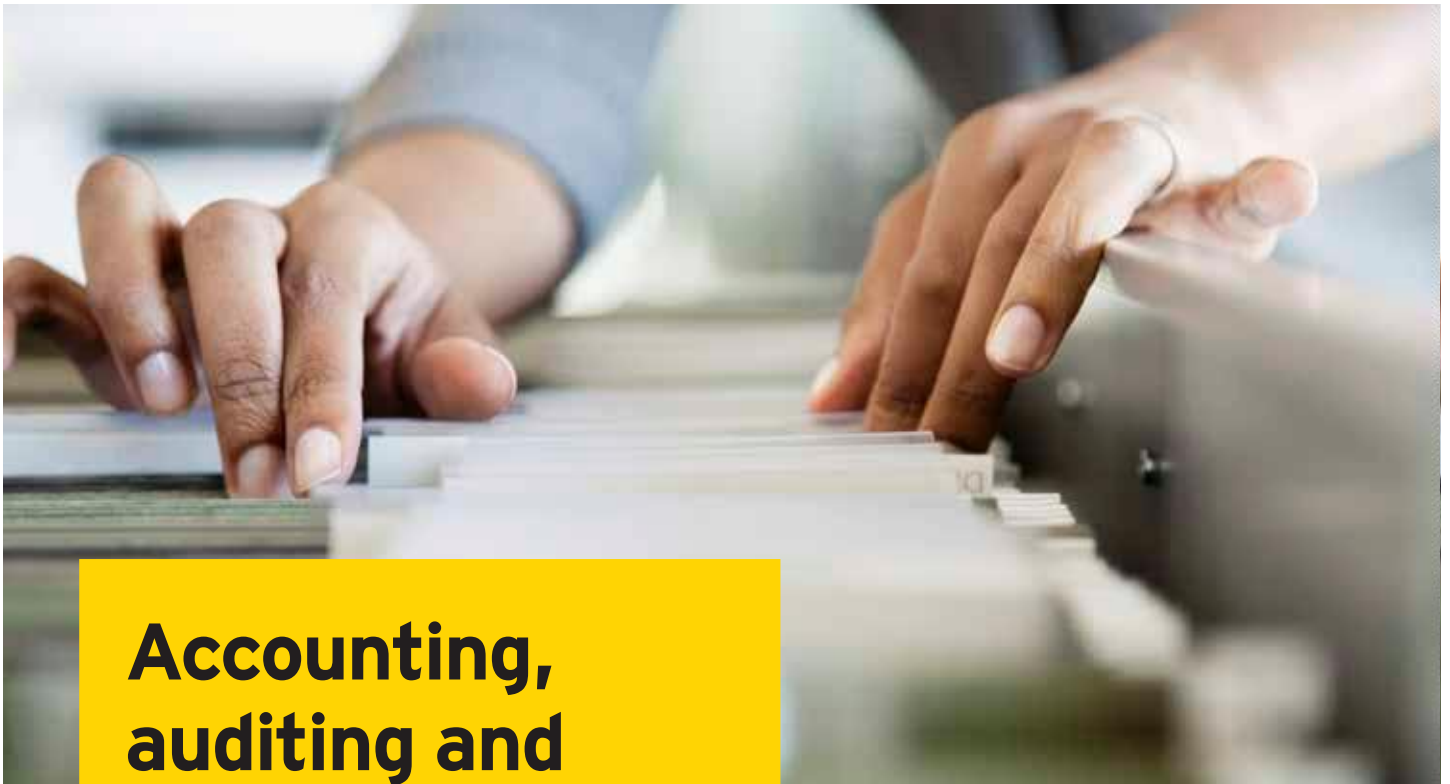
This revival partly reflects the knock-on effects of the collapse in commodity prices in 2015. And their recent recovery has pushed inflation back close to target levels almost everywhere, easing worries about deflation, especially in the Eurozone.

Despite the bright spots, political risks remain. In the US, the 'Trump bump' in the financial markets has been followed by another increase in consumer and business confidence. As a result, consumer confidence there is now stronger than at any time since the dot-com boom in 2000. However, as president, Donald Trump is facing political challenges in delivering some of his campaign promises – a situation that makes the likelihood, timing and magnitude of US policy initiatives very uncertain. What's more, any initiatives he does succeed in delivering could either help or hinder the UK's adjustment to life outside the EU.

Against this mixed background, UK exporters are currently enjoying the benefits of Single Market membership as well as the devaluation in sterling and the revival in the world economy. We are assuming they will be trading under World Trade Organisation (WTO) rules in two years' time, although it's possible that the Government will be able to negotiate more favourable transition arrangements, perhaps followed by free trade agreements. These arrangements would make the adjustment smoother than the WTO option and provide some upside potential.

In respect of Brexit, firms may not have the confidence to invest until they see the shape of the new trading and immigration arrangements. The forecast sees investment falling this year and again in 2018, holding back demand and longer-term economic performance. As the countdown to Brexit begins, it's clear that UK businesses will be living with uncertainty for some time to come.





Accounting, auditing and governance

WannaCry ransomware attack

On Friday 12 May 2017, a global ransomware attack occurred across a whole range of sectors, including healthcare, government, telecommunications and gas, spreading to over 300,000 systems in over 150 countries. This affected many NHS Providers throughout the UK including the ability of some to provide a full suite of healthcare.

Over the last five years the number of attacks has grown tremendously as cyber criminals demand relatively small amounts of money in return for the data they hold hostage. However the return of data does not always happen.

WannaCry was used in conjunction with self-propagating malware allowing it to spread aggressively to other computers over an organization's network without requiring further interaction from users. This is the first time ransomware has been used in this way.

Why is this attack significant?

The global scale of indiscriminate targeting emphasizes the need for all companies, private and public, to pay attention to security basics:

- ▶ Keep systems up-to-date with software patches
- ▶ Make regular backups of data
- ▶ Educate users not to click suspicious links

The overall cost of the disruption is significant, but variable by sector and organization. Actual costs to organizations is not yet known, and will differ for every victim, but could have long lasting effects in the NHS if it lead to delayed or cancelled treatments.

Steps to take now

The WannaCry incident highlights the need for organizations to get the cybersecurity basics right:

1. Identify and manage the organization's cyber risks, with a specific focus on the priority cyber threats and breach scenarios that could disrupt operations or have other negative impacts on the organization.
2. Educate the organization's employees in good cybersecurity practices and the use of third-party assessment/assurance programs.
3. Maintain awareness of the cyber threat environment. Cyber criminals and other attackers are constantly evolving their methods to create ever-more effective ways of exploiting vulnerabilities for monetary gain or disruption purposes. Often this involves interfering with data integrity rather than compromising its confidentiality.
4. Maintaining and regularly reviewing elements of a cybersecurity program will provide a strong foundation for building cyber resilience into your organization: patch often, define your cyber incident response process, back up regularly and practice response scenarios.



Preventive measures to reduce the risk of ransomware

EY member firms range of cybersecurity services – including proactive penetration testing, cyber transformation and Managed Security Operations Centers – can be leveraged to prevent a ransomware outbreak within an organization:

- ▶ Ensure vulnerability and patch management policies and procedures are up to date and are implemented through appropriate change control procedures. Where out-of-date and legacy operating systems are used, seek guidance from vendors on further steps.
- ▶ Maintain an effective enterprise incident response and business continuity plan that is tested and measured for effectiveness against ransomware and other potential attack methods, as well as updated to reflect the current cyber threat environment.
- ▶ Ensure the organization has a security awareness training program in place with proactive testing, including screenshots of what to look out for. Clear guidance should be provided on the immediate steps alongside incident reporting guidelines. This should be communicated to all users and third parties who connect to the organization's network.
- ▶ Ensure regular, tested backups are in place to mitigate effects of possible infection and speed the recovery process in lieu of succumbing to ransom payment demands.
- ▶ Seek assurance from third parties who connect to your network that they are following similar actions to yourself and that they are appropriately protecting themselves.
- ▶ Implement endpoint monitoring, giving security operations teams the visibility into malicious behaviour occurring in the environment.
- ▶ Identify critical systems and data and confirm these are connected to Internet only when necessary.
- ▶ Make sure to test the security program with frequent penetration tests across the estate.
- ▶ Review how proactive security monitoring of the entire environment via a Security Operations Center (SOC) could enable faster detection and response to incidents.

Response considerations in the event of an attack

If an organization believes it is compromised, or is in the process of being compromised, then the following activities can help to provide a rapid response, damage containment and communications to end users:

- ▶ Disconnect infected machines from the network and take all backups offline. These could become encrypted as well if left connected to the network.
- ▶ EY FIDS's Forensic Technology & Discovery Services team can be quickly mobilized to help companies:
 - ▶ Forensically analyse network and host systems to detect early indications of penetration by ransomware to allow more rapid response and remediation.
 - ▶ Forensically detect, identify and contain ransomware malware based on previous experience with ransomware negotiations and ransomware eradication. Forensically circumvent ransomware and/or recover data from damaged systems and/or backups, and verify that recovered data are clean from ransomware contamination.
 - ▶ Forensically image and preserve highly sensitive impacted machines to help ensure the systems and data are not destroyed by ransomware.
 - ▶ Collect and preserve IT and business evidence in a forensically sound manner, and then deliver internal or stakeholder investigations and support disputes with customers, service providers, and requirements for regulatory reporting.
- ▶ Activate your incident response plan and don't treat the investigation as merely an IT issue; there should be cross-functional representation in the investigation team such as: legal, compliance, information security, business, PR, HR, etc.
- ▶ Identify and address vulnerabilities in the environment, sufficiently harden the environment to complicate the attacker's effort to get back in, enhance the ability to detect and respond to future attacks, and prepare for eradication events.
- ▶ Activate your business continuity plan. Prepare data based on varying requirements for regulatory inquiries or civil suits.



Women and leadership

The King's Fund recently drew attention to a couple of reports on women in leadership roles:

- ▶ NHS Women on Boards: 50:50 by 2020 (see <http://www.nhsemployers.org/case-studies-and-resources/2017/03/nhs-women-on-boards-5050-by-2020>)
- ▶ Women in finance

These reports draw attention to the problems some women face in obtaining senior leadership positions within the NHS and other organisations. While there are typically more women that start in finance roles than men there are few women that move up the management ladder. The main reason for this is thought to be organisational culture.

A study in 2016 across a range of sectors found that unsupportive workplace cultures present the most significant barrier for women to progress their career. This was the case for female respondents in most age categories. Gender inequality and discrimination were reported with women feeling that they have to over-perform simply because of their gender. Recommendations following this study included building closer relationships between men and women in the workplace, and the provision of

opportunities to discuss gender issues experienced within the organisational culture.

Organisational culture, such as the drive for a more inclusive approach to leadership development, is currently receiving considerable attention in the NHS. Given the NHS is made up of a predominantly female workforce, the impact of such a culture is largely upon women. Despite 77 percent of the NHS workforce being female there is generally a much lower percentage of women in senior leadership positions. For the NHS Improvement/ NHS Employers target of 50:50 representation on boards to be achieved 500 more women would need to be appointed to board-level positions by 2020.

The NHS report also advocates gender-specific learning in NHS training programmes, covering topics such as unconscious bias, management of flexible working practices and specific female coaching, mentoring and sponsorship.

Within the EY Assurance service line we have many experts in Culture and have provided various services across the NHS and Local Government. If you would like to discuss any of these past projects, or a new one for your body, please contact your local engagement lead who can provide more information.

2018/19 Code of Practice on Local Authority Accounting Consultation

CIPFA/LASAAC are consulting on the 2018-19 Code of Practice on Local Authority Accounting in the United Kingdom.

The consultation closes on 6 October 2017 with responses direct to CIPFA. The following changes are being consulted on:

- ▶ IFRS 9 Financial Instruments
- ▶ IFRS 15 Revenue from Contracts with Customers

- ▶ Narrow scope amendments to International Financial Reporting Standards
- ▶ Legislative and policy changes.

Further information is available from Paul Mayers, Audit Manager, on 07972 221 078 or paul.mayers@nao.gsi.gov.uk.



Other news

Use of Housing Companies

Housing lawyer Ian Doolittle has stated that there are over 40 councils which have or are currently working towards setting up housing companies, with this figure expecting to increase over the coming years.

The reasoning behind setting the companies up can vary from building homes to sell and rent at market rates, to building social housing separate to the HRA. The message from central government regarding this is that any means to help the current housing crisis is welcomed.

Deputy Chief of the Chartered Institute of Housing (CIH) Gavin Smart spoke about the benefits housing companies can have in serving different market segments, however was wary regarding whether the new homes are genuinely affordable.

He stated that councils must prioritise building new home at social rent levels.

An interesting aspect around the housing companies being set up is that responsible borrowing of money from the General Fund does not count towards the HRA Debt cap. This is being seen as an attractive option for many councils who have reached the debt cap which was introduced in 2012.

With private developments not meeting demand and private housing carrying a high cost it seems Housing Companies could be seen as an important mechanism in achieving the Government's aim to build one million new homes over the next five years.

For advice on the implications of setting up a Housing Company please speak to your audit engagement team.

EY Local government audit committee members governance forum

Between April and July we held five events across the country for local government audit committee chairs and members to meet, network, gain some EY insights and learn from each other on topical governance challenges facing the sector.

We've met almost 80 members some with a few weeks experience and others with many decades, some who may well have been just out of school, others far wiser but all passionate about their local communities their roles as elected officials.

In this section of the briefing we share with you the benefits members obtained from attending our events and our plans for the future.

We focused each forum on the current hot topic in the sector – commercialisation and what it means for audit committees. Notwithstanding the challenge posed by the simple question of 'what does commercialisation mean', the variety of ongoing

and emerging activities was striking ranging from advertising on roundabouts to building new crematorium and establishing housing development companies. Some key threads for members was public perception of authorities acting commercially, the need for authorities to ensure that they have the right capabilities, capacity, are focused on the long term and that the organisational culture matches the direction of travel.

Audit committee members had some concerns that they only tend to see commercial activities after they had been signed and sealed rather than providing challenge on governance and accountability before deals are completed.

Members valued the opportunity to meet peers, network and connect and hear how others are tackling similar issues using different approaches. Members also valued the insights that EY brings from our engagement with a wide range of authorities and other organisations around the country.

Next steps

Following the overwhelmingly positive feedback from attendees we plan to run these forum every six months. We will seek input from members to set the agenda but

ensure sufficient time for networking and sharing and suspect the commercialisation agenda will remain the hot topic. Please liaise with your engagement partner and audit manager for details of dates and venues.

Outcome of Local Government Tender Process

The Public Sector Audit Appointments Limited (PSAA) announced the results of the Local Government tender on 20 June 2017, and we are delighted to say that we have been successful in retaining our 30% share of the Local Government external audit market. Details of the announcement can be found on the PSAA website.

Since 2012, we have invested and committed to the growth of our public sector assurance team, and we believe this outcome reflects the feedback our clients and the PSAA have given us on the quality, efficiency and effectiveness of our service. This is also evidenced by our AQRT scores, which is discussed below. We are committed to the public sector and going forward we are extremely pleased that we are the leading Big 4 firm delivering audit services to the local government sector.



Between now and the end of December 2017, PSAA will be consulting with audited bodies on the proposed appointed auditor to determine the allocation of audit clients. We will be actively participating in the process, with our primary focus on ensuring the allocations safeguard independence, objectivity, and ensuring we are able to continue to deliver high quality, efficient and effective audits.

In the meantime, we are continuing to work to support our clients in preparing for the faster closure of accounts from the 2017/18 financial year. We recognise the journey our local government clients are making to transform and ensure sustainable public services. We are committed to work with our clients to share our insights from the vast range of services we provide in the public sector.

Financial Reporting Council's (FRC) Audit Quality Inspection Results

Executing high quality audits continues to be our highest priority. Ensuring that we deliver high quality audits is fundamental to our business and our public service obligation. We are therefore committed to a significant and sustained investment in audit quality.

EY's investment continues to be reflected in the FRC's inspection results

The firm is subject to external inspection by the FRC's Audit Quality Review Team (AQRT), the ICAEW's Quality Assurance Department (QAD) and the Public Company Accounting and

Oversight Board (PCAOB) from the US. The AQRT's scope is the audits of FTSE 350 and other public interest companies in the UK and it issues public reports outlining its work and conclusions.

We are delighted that 88% of our audits inspected by the AQRT this year were assessed as requiring no more than limited improvements and that once again no audits subject to review were identified as requiring significant improvements. The results of the FRC AQRT report published in June 2017, as presented in the chart below, reflect our sustained investment in audit quality.

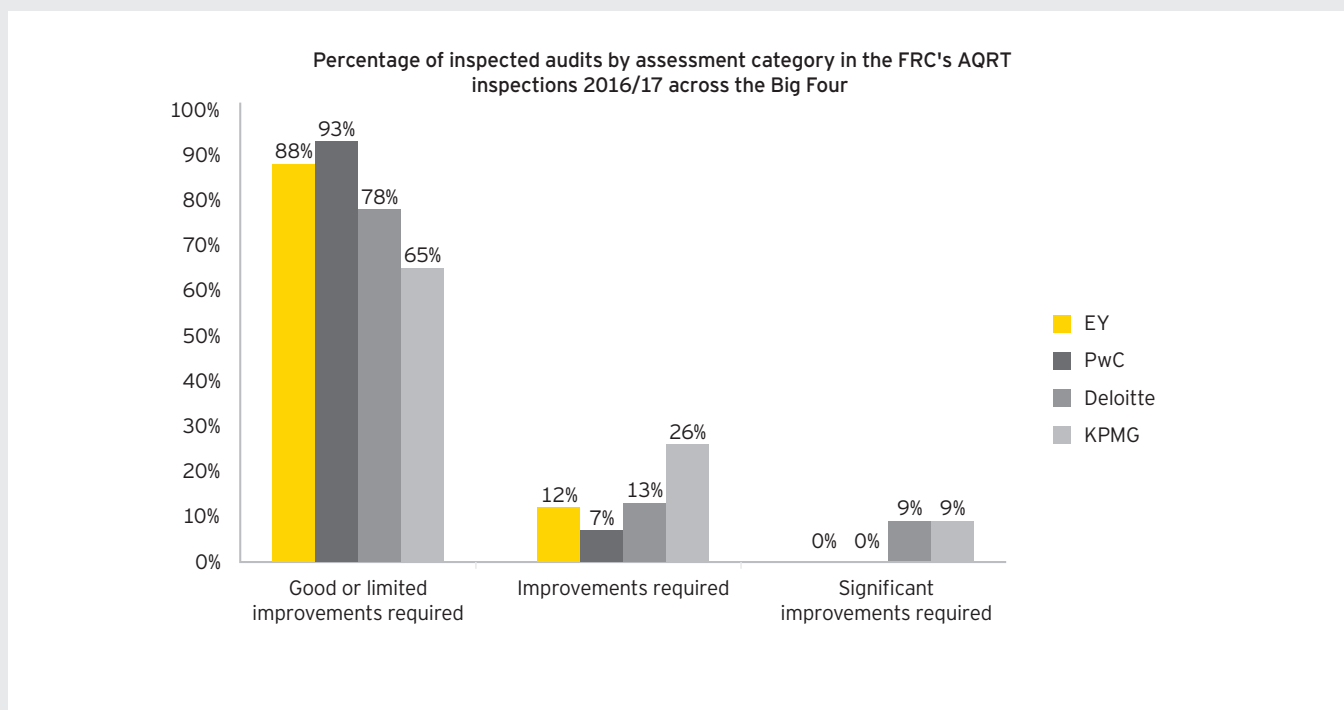


Figure 1. Bar chart showing the FRC Audit Quality Review Team inspection results for EY, PwC, Deloitte and KPMG



Key questions for the Audit Committee

Does your organisation and its partners have in place IT security arrangements which minimise the risk and impact of cyber attacks?

Is your culture allowing women to progress to senior positions?

Are you aware of the commercial activities of your authority?
What assurance have you sought on the adequacy of risk identification, effectiveness of risk management and the arrangements for optimising benefits realisation?

Are you assured that all financial considerations have been addressed? Including appropriate due diligence, staying within

state aid rules, understanding the impact on the minimum revenue provision and clarity on the longer term revenue implications of capital investments.

Do you know about the significant commercial activities in the pipeline? What assurance do you have that business cases are robust and realistic?

Has your authority recently discussed and agreed its risk appetite?

Find out more

EY Item Club Forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

WannaCry ransomware attack

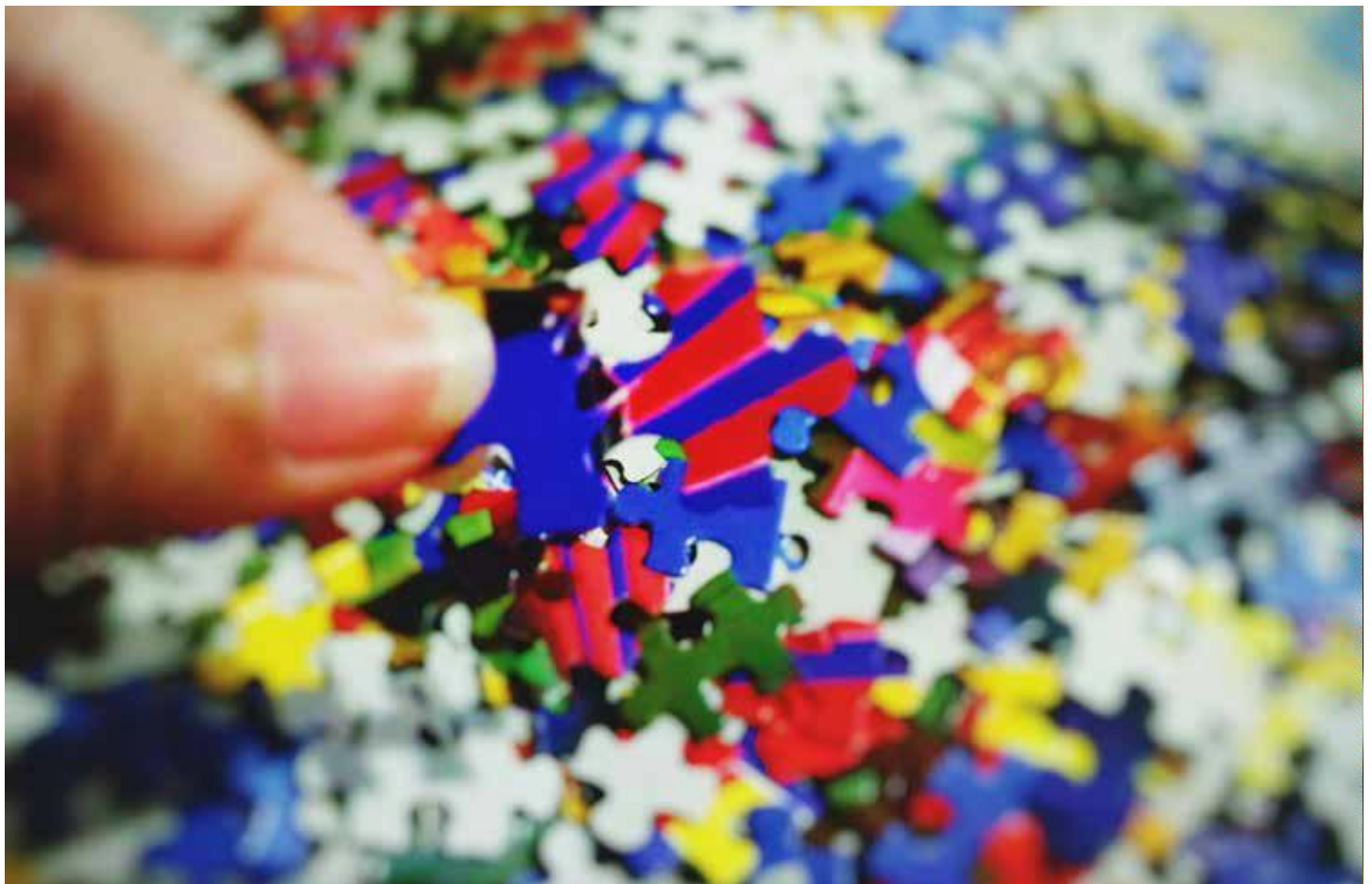
<http://www.ey.com/gl/en/services/advisory/ey-wannacry-ransomware-attack>

Women and leadership

<http://www.nhsemployers.org/case-studies-and-resources/2017/03/nhs-women-on-boards-5050-by-2020>

Use of Housing Companies

<http://www.publicfinance.co.uk/feature/2016/10/company-houses-how-councils-are-constructing-new-model-housing>



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