

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Audit and Corporate Governance
Committee

30 June 2017

LEAD OFFICER: Alex Colyer, Interim Chief Executive

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL'S DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2016/17

Purpose

1. To consider and endorse the draft Annual Governance Statement (AGS) 2016/17 as part of the statement of accounts for the year ending 31st March 2017.

Recommendations

2. That the Committee:
 - (a) Consider and endorse the draft Annual Governance Statement (**attached**),
 - (b) Note the progress made by the Council on issues reported in the 2015/2016 AGS, set out in Section 6;
 - (c) Note and accept the recommendations of Internal Audit identifying governance issues emerging for 2017-2018, set out in paragraph 10 below and Section 5.2.1 of the Statement,;
 - (d) Note the forthcoming preparation of an updated Local Code of Corporate Governance to provide an overall statement of the Council's corporate governance principles and commitments, and
 - (e) Note that the final version of the AGS will be updated following the receipt of the External Auditors Opinion in September, at which point it will be submitted to the Committee for approval and sign-off by the Leader of the Council and Chief Executive.

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.

These principles have been used to inform the review of the AGS, and will form the basis of an updated Local Code of Corporate Governance, which will be presented to the Audit and Corporate Governance Committee and Council for adoption in September 2017.

Considerations

5. 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 provide a summary of Corporate Plan achievements during 2016-17, taken from the Year-End Position Report on Finance, Performance and Risk, being reported to Scrutiny and Overview Committee and Cabinet in July 2017.
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 when it is received prior to the Committee meeting in September.
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.

Implications

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

Financial

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

Legal

13. 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

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

Equality and Diversity

15. 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

16. 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:

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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