

AUDIT & STANDARDS COMMITTEE

11th June 2020

Governance Review Activity 2019/20

Purpose of Report

This paper:

- reports on the review of governance arrangements during 19/20 and the findings from this
- presents a draft Annual Governance Statement
- presents a reviewed Code of Corporate Governance

Freedom of Information and Schedule 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

The Committee is asked to comment on and contribute to the draft Annual Governance Statement (appendix A) and the consider the revised Code of Corporate Governance (appendix B)

1. Introduction

- 1.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review, at least once in a year, of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. The scope of SCR's governance and internal control framework spans the whole of the organisation's activities and, as recommended in the CIPFA/SOLACE Framework ***Delivering Good Governance in Local Government 2016***, is described in SCR's local Code of Corporate Governance. This Code stands as the overall statement of the Mayoral Combined Authority's and Local Enterprise Partnership corporate governance principles and commitment. The Code demonstrates that the MCA and LEP's governance arrangements comply with the core and sub-principles contained in the Framework.

2. Proposal and justification

2.1 Review Process

As agreed by the Committee in January, during February and March SCR's Governance team worked with the Executive team to conduct an assessment of compliance with the Code of Corporate Governance, to gain assurance of the effectiveness of current arrangements and to identify any opportunities for improvement.

Evidence of compliance with the commitments in the Code of Corporate Governance can be found at annex A in the draft Annual Governance Statement (appendix A).

2.2 Annual Governance Statement

The Annual Governance Statement (appendix A) has been prepared in accordance with the 'Delivering Good Governance in Local Government Framework 2016' guide, published by CIPFA.

The Committee is asked to comment on and contribute to the draft.

The final draft of the Annual Governance Statement will be presented to the Audit and Standards Committee in July and to the Mayoral Combined Authority meeting scheduled for 27th July alongside the 2019/20 accounts.

2.3 Code of Corporate Governance

In line with a commitment to review the Code of Corporate Governance annually, the Code has been updated (appendix B). The introduction has been streamlined and minor grammatical changes have been made to the Code itself. These are shown in track changes.

The revised Code of Corporate Governance will be presented to the Mayoral Combined Authority for approval.

3. Consideration of alternative approaches

- 3.1** Other approaches to the conducting the Governance Review and completing the AGS could include commissioning an external audit or undertaking a comprehensive series of questionnaires with partners, stakeholders and key officers and having these independently analysed. These approaches have been discounted by Statutory Officers as the preferred approach, as they risk removing the detailed self-assessment process which supports the governance culture and risk management approach that has been adopted by SCR. However Internal Audit, External Audit, Government Compliance (through the Annual Performance Review) and any independent reviews are all used to triangulate the self-assessment approach.

4. Implications

4.1 Financial

The outcome of the annual governance review will be published in the Annual Governance Statement as part of the Authority's statutory accounts. It is important that the review assesses the adequacy of the Authority's internal financial controls as per the Financial Regulations. Failure to do so could result in a qualified value for money opinion

issued by the external auditor, thus undermining confidence in the Authority's stewardship of public funding.

Furthermore, the risk associated with poor governance practice could result in poor financial decision making and, in consideration of Local Growth Fund and other monies distributed from central government, could result in material financial penalties including the withholding or reduction in grant received.

4.2 Legal

Failure to comply with the principles of good governance ultimately could lead to and External Audit opinion qualification. Additionally, in the context of LEP governance could result in MHCLG intervention.

4.3 Risk Management

Risk management is an important and integral part of good governance. SCR's strategic risk management approach contributes to identifying ways in which to strengthen governance arrangements.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion issues in relation to this update.

5. Communications

5.1 The activity described in this paper is internally focussed however it will culminate in the publication of the Annual Governance Statement alongside the Authority's accounts.

6. Appendices/Annexes

6.1 Appendix A – Draft Annual Governance Statement

Appendix B – Revised Code of Corporate Governance

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: n/a