

**Audit and Standards Committee**

**18<sup>th</sup> March 2021**

**Annual Governance Review – initial findings**

**Purpose of Report**

This paper reports the initial findings of the Annual Governance Review which has been carried out in line with CIPFA guidance note 'Application of the Good Governance Framework 2020/21'. It also provides an update on the 20/21 Governance Improvement Plan.

**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 note the initial findings of the Annual Governance Review and identify any issues.
- note the progress of the 20/21 Governance Improvement Plan.

**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 the Mayoral Combined Authority's (MCA's) governance and internal control framework spans the whole of the organisation's activities and is described in the local <sup>1</sup>Code of Corporate Governance. This Code stands as the overall statement of the MCA and Local Enterprise Partnership's (LEP's) 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 CIPFA's "Delivering Good Governance in Local Government Framework".

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<sup>1</sup> <https://sheffieldcityregion.org.uk/wp-content/uploads/2020/11/SCR-Code-of-Corporate-Governance20-21Final.pdf>

- 1.2** This paper reports the initial findings of the Annual Governance Review which has been carried out in line with the CIPFA guidance note 'Application of the Good Governance Framework 2020/21'. This guidance note recommends that the impact of the Covid-19 pandemic should be taken into account when conducting the annual review for 2020/21. In particular, it recommends that the review should identify the impact of the pandemic on governance arrangements in place and, changes to existing arrangements that have resulted from the pandemic.

## **2. Proposal and justification**

- 2.1** A summary of the outcome of this assessment is outlined in appendix A.
- 2.2** In addition, this paper provides an update on the progress of the 20/21 Governance Improvement Plan (Appendix B).

### **2.3 Next steps**

An additional report on the findings of the Annual Governance Review will be provided alongside a draft Annual Governance Statement to the Committee in June.

## **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. 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 – Summary of Code of Corporate Governance commitments impacted by the Covid-19 Pandemic

Appendix B – Progress Update – 20/21 Governance Improvement Plan

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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