

AUDIT & STANDARDS COMMITTEE

18th April 2019

Governance Review Activity 2018/19

Purpose of Report

This report updates the Committee on the review of governance arrangements during 18/19 and the priorities arising from this.

The report also presents a revised Code of Corporate Governance and the draft Annual Governance Statement for 18/19.

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 consider the governance review activity that has taken place during 2018/19, approve the revised Code of Corporate Governance and comment on the draft Annual Governance Statement 18/19.

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.

1.2 Review Process

During February and March SCR's Governance team has worked with the Executive team to conduct an assessment of compliance with SCR's Code of Corporate Governance, to gain assurance the effectiveness of current arrangements and to identify any opportunities for improvement. The outputs from the Annual Governance Review process assist in the preparation of the Annual Governance Statement.

2. Proposal and justification

2.1 Findings of the review - Assessment of Compliance

The assessment of the degree of compliance with each undertaking of SCR's Code of Corporate Governance is high and there has been continuing focus on strengthening governance arrangements and embedding procedures during the year. Significant developments in relation to SCR's governance during 18/19 have included:

- A review of the Assurance Framework in line with MHCLG guidance
- Further development of Scrutiny practice to ensure compliance with the 2016 Order.
- A revised Constitution that makes provision for new governance arrangements agreed by the MCA in December 2018
- Implementing the recommendations of the review of back office functions i.e. MCA becoming an employing body

2.2 Annual Governance Statement

The review findings summarised above are more fully considered in the draft Statement, included at Annex B, which is prepared in accordance with 'Delivering Good Governance in Local Government Framework 2016' guide, published by CIPFA. The main principles underpinning this guidance from CIPFA continues to be that local government is developing and shaping its own approach to corporate governance, taking into account the environment in which it operates.

2.3 Opportunities under consideration to improve practice against the commitments made in the Code

During the review of compliance with the Code three key areas where there are opportunities to strengthened compliance have been identified these are: stakeholder engagement; performance monitoring and; skills and knowledge. These themes map across to actions already identified through risk management processes.

2.4 Next Steps

Reflecting the increasing maturity of the organisation, a number of additional commitments have been added to the Code of Corporate Governance. These are detailed in the following sections:

2.5 At section 3.1 - Good governance means ensuring Officers behave with integrity, demonstrate a strong commitment to ethical values and respect for the rule of the

law – a commitment to ‘strive to attain and optimise the use of full powers available for the benefit of citizens, communities and other stakeholders’ has been added.

- 2.6** At section 3.2 - **Good governance means ensuring openness and comprehensive stakeholder engagement** – a commitment has been added that, where appropriate, the MCA and LEP will seek to:
- Encourage, collect and evaluate the views and experiences of communities, citizens and service users and organisations of different backgrounds.
 - Implement effective feedback mechanisms in order to demonstrate how views have been taken into account.
 - Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- 2.7** At section 3.4 - **Good governance means determining the interventions necessary to optimise the achievement of the intended outcomes** - a commitment to ‘engage with internal and external stakeholders in determining how courses of actions should be planned and delivered’ has been added.
- 2.8** At section 3.5 - **Good governance means developing the entity’s capacity, including the capability of its leadership and the individuals within it** - additional commitments have been made to:
- Develop and maintain an effective workforce plan to enhance the strategic allocation of resources
 - Take steps to consider leadership effectiveness and ensure leaders are open to constructive feedback from peer review and inspections
 - Hold staff to account through regular performance reviews which take account of training or development needs
 - Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing
- 2.9** At section 3.6 - **Good governance means risks and performance are managed through robust internal control and strong public financial management** - additional commitments have been made to:
- Ensure effective arrangements are in place regarding data, including personal data
 - Ensure financial management supports both long terms achievement of outcomes and short-term financial and operational performance
- 2.10** At section 3.7 - **Good governance means good practices in transparency, reporting and audit to deliver effective accountability are implemented** - additional commitments have been made to:
- Welcome peer challenge, reviews and inspections from regulatory bodies
- 2.11** The 2019/20 Annual Governance Review will assess compliance with these additional commitments.
- 2.12** The revised Code of Corporate Governance will be presented to the AGM of the Mayoral Combined Authority for approval. 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 29th July alongside the 18/19 accounts.

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 Annex A – Revised Code of Corporate Governance

Annex B – Draft Annual Governance Statement 18/19

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Other sources and references: n/a