

CAMBRIDGE CITY COUNCIL

REPORT OF: Director of Resources

TO: Civic Affairs Committee

27/06/12

WARDS: All

ASSURANCE FRAMEWORK AND DRAFT ANNUAL GOVERNANCE STATEMENT

1 INTRODUCTION

- 1.1 The preparation of an Annual Governance Statement (AGS) is necessary to meet the statutory requirements as set out in Regulation 4(3) of the Accounts and Audit (England) Regulations 2011. The AGS covers the Council's governance arrangements for the 2011-12 reporting year and is published as part of the Statement of Accounts.
- 1.2 This report includes the draft AGS and incorporated AGS action plan (presented in **Appendix A**) for the Members of Civic Affairs Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.
- 1.3 This report also identifies progress with the 2010/11 AGS action plan and presents the necessary recommendations for Member approval that will allow the Council as a whole to ensure that the AGS is produced in accordance with CIPFA guidance and therefore meet External Audit requirements.

2 RECOMMENDATIONS

- 2.1 That Members of Civic Affairs Committee:
 - note the arrangements for compiling, reporting on and signing the AGS.
 - critically review the draft AGS and incorporated action plan (**Appendix A**) having regard to the Head of Internal Audit Annual Opinion (earlier on this agenda); and
 - advise the Leader of the Council and Chief Executive on any issues arising from the draft AGS and action plan.

3 BACKGROUND

Scope of the AGS

3.1 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:

- The Council's policies are implemented in practice;
- High quality services are delivered efficiently and effectively;
- The Council's values and ethical standards are met;
- Laws and regulations are complied with;
- Required processes are adhered to;
- Its financial statements and other published information are accurate and reliable; and
- Human, financial and other resources are managed efficiently and effectively.

Arrangements for Compiling the AGS

3.2 CIPFA, in conjunction with SOLACE, have produced a framework for delivering good governance in local government. Since 2003/04, responsibility for preparing the AGS rested with Internal Audit and this was performed working to the CIPFA/SOLACE framework.

3.3 In December 2010, CIPFA issued its statement on 'The Role of the Head of Internal Audit in Local Government', which states that the Head of Internal Audit should 'set out the framework of assurance that supports the Annual Governance Statement and identify Internal Audit's role within it', but 'should not be responsible for preparing the report.' An action was therefore included in last year's AGS for the Strategic Leadership Team to review responsibility and arrangements for compiling the AGS report. As an interim measure, the preparation of the AGS has been completed by the Head of Corporate Strategy in conjunction with the Principal Auditor. The Director of Resources will review the arrangements and responsibility for undertaking this key task in future years.

3.4 Assurances from the work of the Internal Audit team relating to 2011/2012 have been reviewed and although a number of key issues have been identified from their work, and actions agreed to resolve them, these are not considered weaknesses in governance arrangements.

3.5 One of the key messages coming out of the CIPFA/SOLACE guidance is that good governance relates to the whole organisation and there should be corporate ownership of the AGS and governance arrangements.

Arrangements for reporting on and signing off the AGS

- 3.6 The draft AGS and Action Plan is being presented to the Members of this Committee for them to review and advise the Leader and Chief Executive upon, prior to it being signed off by the Leader and the Chief Executive.
- 3.7 Members are asked to consider the HIA Annual Opinion, which is presented earlier on this agenda, in their review of the AGS.

4. Progress with the 2010-11 AGS Action Plan

- 4.1 Six of the eight actions included in last year's AGS action plan have been completed, as follows:

Performance Management Framework - The approach to portfolio and operational planning was agreed ahead of the target date and portfolio plans agreed at scrutiny committees in January 2012. Performance against plans was reported to Executive Councillors at the mid-year stage and in the annual report at end-year stage. This is intended to be repeated for 2012-13.

Corporate Improvement Plan - The continued need for a Corporate Improvement Plan was considered by Strategic Leadership Team and it was agreed that there was no longer a need for such a plan in 2011/12. Actions to address performance concerns identified through internal performance indicator reporting were discussed at Strategic Leadership Team and managed within departments.

Risk Management - Risk workshops have been undertaken for all services across the Council during 2011. A new risk register has been procured and populated with the new risks identified at the workshops. Training for the new risk register is currently being rolled out across the Council. There is now a need to embed the new risk management framework across the Council and to agree a new Risk Management Strategy. This is included as an action in the 2011-12 AGS action plan.

Service Continuity Planning – The new template is now being used by services for their service continuity plans.

Partnership Governance - An internal audit review of the risks and governance arrangements for the Council's smaller partnership arrangements was undertaken and a significant assurance rating given.

Management of Major Projects - A range of projects was reviewed by Internal Audit during 2011-12 including: HRA Self-Financing; Brandon Court, IDOX Implementation; Streets & Open Spaces and Responsive Repairs Improvement Plan Projects. Assurance ratings for these audit reviews ranged from Limited to Full. In addition, Internal Audit advice and support was provided to the Mercury Abatement and Planned Maintenance Projects.

- 4.2 Progress has been made with developing the Council's project management guidance. This work is ongoing and forms part of the 'Bureaucracy Busting' element of the Corporate Change Programme. An action to complete this is included in this year's AGS Action Plan.
- 4.3 **Appendix A** to this report details the action plan to address significant governance issues for the 2011/12 AGS.

5 CONSULTATIONS

- 5.1 Key officers have been consulted in compiling the 2011-12 AGS and Action Plan. The draft AGS and Action Plan have been shared with the Council's External Auditors.

6 CONCLUSION

- 6.1 The draft AGS sets out the governance framework for the City Council and identifies a number of issues where action is planned to improve the level of governance.

7 IMPLICATIONS

- (a) **Financial Implications**
None
- (b) **Staffing Implications**
None
- (c) **Equal Opportunities Implications**
None
- (d) **Environmental Implications**
None
- (e) **Community Safety Implications**
None

BACKGROUND PAPERS: The following are the background papers that were used in the preparation of this report:

- Delivering Good Governance in Local Government – The Framework and Guidance Note for English Authorities – CIPFA/SOLACE.

- The Annual Governance Statement: Meeting the Requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulations 2006
- The CIPFA Finance Advisory Network – A Rough Guide for Practitioners 2007/08.
- Application Note to Delivering Good Governance in Local Government – a Framework – CIPFA/SOLACE – March 2010
- Accounts and Audit (England) Regulations 2011

To inspect these documents contact Bridget Bishop on extension 8182.

The author and contact officer for queries on the report is Andrew Limb, Head of Corporate Strategy, on extension 7004.

Annual Governance Statement

Scope of Responsibility

Cambridge City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cambridge City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Cambridge City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Cambridge City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.cambridge.gov.uk or can be obtained from the Chief Executive, The Guildhall, Cambridge. This statement explains how Cambridge City Council has complied with the Code and also meets the requirements of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which Cambridge City Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cambridge City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Cambridge City Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

Appendix A

The Governance Framework

The key elements of the systems and processes that comprise the authority's governance arrangements include:

- The Council's Objectives, which focus the Council's efforts in achieving the vision for Cambridge.
- The Annual Statement, which reiterates the vision and sets out a range of activities the Council will undertake in the year ahead to achieve the vision, and its core underpinning values.
- The Annual Report, which contains information on financial performance and achievement of business objectives as articulated in the portfolio plans.

- The annual budget and service planning process which translates the Council's Objectives into actions at portfolio and operational level.
- The Council's Medium Term Financial Strategy, which identifies how the Council will resource its aspirations and plans for any financial risks.
- A Budget Setting Report, which sets out overall spending plans and includes a Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement.
- The arrangements for regular budget monitoring and reporting of significant variances to senior management.
- An independent Internal Audit function with a risk-based audit plan.
- An annual opinion of the Head of Internal Audit on the authority's internal control environment and risk management framework.

- The Council's Constitution, which sets out the decision-making process, the terms of reference for each committee and the roles and responsibilities of Members and officers.
- The Member/Officer protocol, which aids effective communication between officers and Members and clarifies their respective roles and responsibilities.

- Codes of Conduct for Members and officers, which have been formally approved, are reviewed regularly and available to all Members and staff.
- The Council's Standards Committee, which promotes and maintains high standards of conduct by Members.
- The Council's Prevention of Fraud and Corruption Policy which is in place and reviewed annually by the Council's Standards Committee.
- A Register of Interests which is maintained and reviewed regularly.
- Responsibilities of Civic Affairs Committee, which include 'overall responsibility for the Council's compliance with laws and regulations'.

- Financial Regulations and Financial Procedure Rules which provide a framework for managing the Council's financial affairs and set out the financial accountabilities and responsibilities for Members and officers.
- A corporate Risk Management Framework, which includes a Risk Management Strategy approved by Members and a comprehensive risk register identifying the key controls and actions required to manage the Council's principal risks.
- The roles of the Council's Civic Affairs and Standards Committees, which fulfil the core functions of an Audit Committee as identified in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.

Appendix A

- The Procurement Policy and Strategy and the Council's Contract Procedure Rules, which set out how the Council will promote effective procurement across the Council.
- The role and functions of the Council's Monitoring Officer, which are set out in the Council's Articles of the Constitution.
- A 'Whistleblowing' Policy, which is in place and available on the Council's intranet.
- The Council's Complaints Procedure, which is available on the Council's website.
- The annual complaints report to Standards Committee, which analyses trends in complaints against the Council and what has been done to address them.
- Member Induction training and a guide for new Members, together with ongoing training for Members on key skills and more in-depth explanations of issues concerning the Council.
- The Council's Performance Review process which is undertaken annually across the Council for all staff.
- The Council's Competency Framework, which is in place for all staff and managers.
- The Council's People Strategy, which sets out how the Council will recruit, reward and develop its staff to reach their full potential.
- The Citizens' Survey, which is undertaken every two years to gauge the public's perception of Council services, our spending priorities, communication with us and feelings of safety.
- The Code of Corporate Governance, which sets out the ways in which the Council ensures that its business is conducted in accordance with law and proper standards and that public money is safeguarded and properly accounted for.
- A framework to guide the Council's engagement with external partnerships that will ensure the Council's partnerships are accountable and effective.
- A Code of Best Practice on Consultation and Community Engagement, adopted by the Council which sets out the Council's approach to consultation.
- Internal quarterly performance reporting against key performance indicators for each service, prepared for and presented to the strategic leadership team to consider necessary remedial action.

The financial management arrangements at Cambridge City Council conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Appendix A

Review of Effectiveness

Cambridge City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within Cambridge City Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's Constitution details Directors' responsibilities for the maintenance of controls within their departments. The system of internal control is subject to regular review by Internal Audit. The work of the service is targeted using assessments of potential risk, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed, annually, by the Council's Civic Affairs Committee. Members are kept informed of the work of Internal Audit through a dedicated Members' Internal Audit web-page, which publishes copies of the Executive Summaries of Audit reports.

The Director of Resources is the Authority's Chief Financial Officer and is responsible for the proper administration of the authority's financial affairs. The Director of Resources reports directly to the Chief Executive and is a member of the Strategic Leadership Team.

Individual Internal Audit reports are issued directly to the relevant Director, the Director of Resources, the Leader of the Council and the relevant Executive Councillor. Executive Summaries of Internal Audit reports are circulated to the Chief Executive and the Council's Monitoring Officer to ensure that they are informed of potential areas of non-compliance with legislation. Each audit report contains an independent assurance opinion on the adequacy and effectiveness of the internal controls in place to mitigate risks. Management actions agreed in Internal Audit reports are entered into to the Council's Risk Register and progress on their implementation is monitored. Management of the Internal Audit function conforms with the principles contained in CIPFA's Statement on the Role of the Head of Internal Audit in Local Government.

In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms and these have been collated centrally and reviewed as part of the Annual Governance Statement process.

The Council's Standards Committee has been responsible for advising on and monitoring the Members Code of Conduct and for advising the Council on the ethical aspects of the corporate governance framework. This arrangement is being reviewed in the light of changes proposed in the Localism Act.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Civic Affairs Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Appendix A

Action Plan to Address Significant Governance Issues 2011-12

	Issue	Action	Target Date	Officer Responsible
1	Last year's AGS action to review the Council's risk management arrangements was completed with the facilitation of risk workshops for all service areas across the Council and the procurement of a new risk register which has been populated with the new risks identified at the workshops. There is now a need to embed the new risk management process and update the Council's Risk Management Strategy.	Embed the new risk management framework by: <ul style="list-style-type: none"> • Appointing a new (part-time) Risk Management Officer to monitor the Council's risk register and to ensure that risks are reviewed regularly by management. • Providing twice yearly reports to Strategic Leadership Team on the Council's risks and risk appetite. • Reviewing and agreeing the Council's Risk Management Strategy through Civic Affairs Committee. 	December 2012	Support Services Manager/ Principal Auditor
2	The review of the Council's Project Management Guidelines is being undertaken as part of the 'Bureaucracy Busting' element of the Corporate Change Programme.	Complete the review of the project management guidelines and roll out across the Council.	December 2012	Corporate Project Officer/ Head of Internal Audit

Appendix A

3	<p>The Localism Act gives councils the opportunity to review their decision making arrangements and opt for alternative arrangements.</p>	<p>Review decision making arrangements to test whether there would be advantages for Cambridge City Council in adopting alternatives made possible by the Localism Act.</p>	April 2013	Head of Corporate Strategy/Head of Legal Services
4	<p>The Bribery Act 2010 came into effect on 1st July 2011. This new legislation updated existing laws on bribery offences. In order to ensure that the Council has regard to the principles of the Act in the conduct of its activities:</p> <ul style="list-style-type: none"> • staff have been reminded of the Council's own policy on the acceptance of gifts and hospitality as set out in the Employee Code of Conduct. • It was agreed that the Prevention of Fraud and Corruption Policy will be updated to provide an overview of the new Act. 	<p>Update the Prevention of Fraud and Corruption Policy to provide an overview of the new Act and its implications for the City Council.</p> <p>Undertake an Internal Audit review of gifts and hospitality across the Council to ensure that the Code of Conduct is being adhered to and that there is proper understanding of the requirements of the Code.</p>	December 2012	Head of Internal Audit

Appendix A

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Councillor Tim Bick
Leader of the Council

Date: 2012

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Antoinette Jackson
Chief Executive

Date: 2012