

# CAMBRIDGE CITY COUNCIL

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REPORT OF: Director of Business Transformation

TO: Civic Affairs Committee

26/06/15

WARDS: All

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## ASSURANCE FRAMEWORK, DRAFT ANNUAL GOVERNANCE STATEMENT AND DRAFT CODE OF CORPORATE GOVERNANCE 2014/15

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### 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 2014-15 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 2013/14 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.
- 1.4 The Council's Code of Corporate Governance summarises the ways in which the authority directs and controls its functions and relates to its communities. It is reviewed annually.

### 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.
- 2.2 That the Council approves the Code of Corporate Governance (**Appendix B**) at Full Council on 23<sup>rd</sup> July 2015.

### **3 BACKGROUND TO THE AGS**

#### *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.'
- 3.4 Arrangements for compiling the AGS for 2014-15, as last year, have been undertaken by the Head of Legal Services (the Council's Monitoring Officer) in conjunction with the Head of Corporate Strategy and the Principal Auditor.
- 3.5 Assurances from the work of the Internal Audit team relating to 2014/2015 have been reviewed and have been used to inform the AGS and its associated action plan.

- 3.6 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*

- 3.7 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.
- 3.8 Members are asked to consider the Head of Internal Audit's Annual Opinion, which is presented earlier on this agenda, in their review of the AGS.

**4. Progress with the 2013-14 AGS Action Plan**

- 4.1 All of the actions included in last year's AGS Action plan have either been completed in full or are in progress, as follows:

- ***Budget Setting Arrangements*** – The new Head of Finance took up her post in July 2014 and has overseen the arrangements for the preparation of the 2015/16 budget process, culminating in the production of the Mid-Year Financial Review and Budget Setting Report for 2015/16.

Internal Audit reviewed the new budget setting arrangements in 2013/14 and reported that these processes appeared robust and included all the requirements to deliver appropriate financial control. However, as the Council had not yet run through a full financial cycle it had not been possible to verify all of these in a 'live' environment. It was agreed that Internal Audit would undertake further assurance work during 2014-15, as part of the audit plan, to ensure appropriate evidence is in place for all changes to financial arrangements. This audit is currently in progress.

- ***Governance Arrangements*** – A review of the governance arrangements in place for the current shared services in operation is now underway. A further action has been included in this year's action plan to ensure that robust governance arrangements are put in place for all new service delivery methods introduced going forward.
- ***Discharge of S151 Responsibilities*** – A review has recently been undertaken of the arrangements for the delivery of S151 responsibilities, which were put in place following the re-structure of the Finance Service in 2012. This review has given 'significant' assurance to these new arrangements and includes a small number of actions to enhance them.
- ***Information Security*** – A significant amount of work has been undertaken to continue to raise awareness and understanding of data protection issues across the Council. Training has been commissioned and provided for managers and staff.

The Council's policies and staff guidance have been updated and re-issued during the year.

Whilst a significant amount of work has been done to address this issue, information security remains a key risk to the Council and therefore an ongoing action has been included in this year's AGS Action Plan to ensure this continues to be addressed.

- **Counter Fraud Arrangements** – In April 2015 responsibility for Housing Benefit (HB) fraud investigation work transferred to the Single Fraud Investigation Service operated by the Department for Work & Pensions (DWP) and fraud investigation resources have since been re-aligned. Prior to this transfer, a review was undertaken to consider whether there was any scope for operating a joint fraud investigation service with South Cambs District Council (SCDC), but at the time of the review there was no appetite for a joint approach at SCDC.

A further action has been included in this year's AGS Action Plan to review counter fraud arrangements to ensure compliance with CIPFA's new Code of Practice on 'Managing the Risk of Fraud and Corruption'.

- **Member Training** – There is a post within the Member Services team that provides support to Members and co-ordinates and promotes Member briefing and development, including a more comprehensive new-Member induction programme.

A review of compliance with CIPFA's guidance on best practice for Audit Committees is still to be undertaken.

- 4.2 **Appendix A** to this report details the action plan to address significant governance issues during 2015/16.

## 5. BACKGROUND TO THE CODE OF CORPORATE GOVERNANCE

- 5.1 The Council adopted a Code of Corporate Governance on 25 April 2002 and it has been reviewed annually since then.
- 5.2 There are no significant changes to the Code this year. The Code has been revised to ensure that references to supporting plans, policies and procedures are up to date. A copy of the Code is given in **Appendix B**.

## 6. CONSULTATIONS

- 6.1 Key officers have been consulted in compiling the 2014-15 AGS and Action Plan. The draft AGS and Action Plan have been shared with the Council's External Auditors.

## **7. CONCLUSION**

- 7.1 The draft AGS and draft Code of Corporate Governance set out the governance framework for the City Council and identify a number of issues where action is planned to improve the level of governance.

## **8. IMPLICATIONS**

- (a) **Financial Implications**  
None
- (b) **Staffing Implications**  
None
- (c) **Equality and Poverty Implications**  
None
- (d) **Environmental Implications**  
None
- (e) **Procurement**  
None
- (f) **Consultation and communication**  
None
- (e) **Community Safety Implications**  
None

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

- Delivering Good Governance in Local Government – The Framework and Guidance Note for English Authorities – CIPFA/SOLACE plus Addendum (December 2012)
- 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

- Statement on the Role of the Head of Internal Audit in Local Government – CIPFA – December 2010
- Statement on Role of the Chief Financial Officer – CIPFA

To inspect these documents contact Bridget Bishop on extension 8182.

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