



## Effectiveness of Governance Arrangements 2016/17

Report of the Chief Executive and Chief Finance Officer

### 1. Introduction and background

1.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The 2015 Accounts and Audit Regulations place a requirement on those bodies to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement (AGS). The Commissioner is required to consider the findings of that review, approve the AGS and publish (which must include publication on the Commissioner's website) the Statements alongside the Statement of Accounts. The AGS is prepared in accordance with The CIPFA/SOLACE Good Governance framework that defines 'proper practices' for discharging accountability for the proper conduct of public business through the publication of an Annual Governance Statement that makes those practices open and explicit.

1.2 The Police and Crime Commissioner approves a Code of Corporate Governance, 'The Code', setting out his corporate governance framework. The Code is subject to review and updated annually alongside the process to review the arrangements for governance and prepare an Annual Governance Statement. The 2016/17 Code was subject to review by the Joint Audit and Standards Committee prior to approval by the Commissioner. It is the compliance with this Code by the Commissioner, together with an assessment of its effectiveness, which is reflected in the 2016/17 Annual Governance Statement.

## 2. Governance Framework & Effectiveness

2.1 The Annual Governance Statement for the Police and Crime Commissioner has been prepared by the Commissioner's statutory and senior officers and in accordance with the CIPFA delivering good governance in local government guidance note for Police 2016. The guidance supports the application of the CIPFA/SOLACE Good Governance Framework to Policing, recognising the specific structure and governance responsibilities arising from the 2011 Police Reform and Social Responsibility Act. The review of the arrangements for governance and their effectiveness support the production of the Statement. The review provides assurance on governance arrangements and the controls in place to achieve the organisation's strategic objectives.

2.2 The approach to the production of the statement has been to use the CIPFA guidance, and particularly the guidance section on core governance principles. Those core principles and the arrangements that support them are set out in the 2016/17 Code of Corporate Governance approved by the Commissioner following review by the Joint Audit and Standards Committee in May 2016. The development of the Annual Government Statement is an integral part of the review, setting out how the Code has been complied with over the course of the year. Where the review has identified areas where developments are planned or improvements can be made, the AGS sets out an action plan to deliver those changes. The statement also highlights areas where further assurance is gained, such as the work of internal audit and the reports of the external auditors. The Commissioner's Annual Governance Statement setting out the review of governance arrangements for 2016/17 and to the date of this meeting, is presented to the Joint Audit and Standards Committee for review and will be subject to review by internal audit, prior to being received by the Commissioner for endorsement and publication alongside the Statement of Accounts.

2.3 During the process for the development and publication of the 2014/15 AGS Joint Audit and Standards Committee members made a recommendation that consideration was given the length and structure of the AGS to improve its accessibility. The external auditors commented that in their view the current structure was helpful in documenting activity and setting out the wider approach to continuous improvement through the action plan. This matter has been further considered by the Commissioner's Chief Finance Officer and it was decided that work would be undertaken to simplify the structure. This means that the structure would be less closely aligned to the CIPFA framework and this has been agreed as acceptable by the external auditors. Further to this, officers contributing to the statement would be asked to consider the volume of their narrative and the Chief Finance Officer has committed to producing a summary AGS. Due to time pressures it has not been possible to prepare the summary AGS in advance of the meeting but it is intended that this will be made available to the Joint Audit and Standards Committee prior to approval of the statement of accounts in July.

2.4 Whilst the above review of arrangements has been specific to the production of the Annual Governance Statement, this is supported by wider reviews of the arrangements for governance that take place during the financial year. This includes cyclical review and updates to core elements of the governance framework. During 2016/17 this has included

a review and update of the financial regulations and financial rules and a minor amendments to the procurement regulations in respect of the treatment of late tenders. In addition, the Public Sector Internal Audit Standards and guidance from CIPFA in respect of Audit Committees forms the basis of further reviews of the overall arrangements for audit, with action plans being put in place where potential for improvement and development have been identified. This is supplemented by specific assessments on compliance by the Chief Finance Office and Head of Internal Audit with the requirements of the CIPFA statement for these roles. The governance review is also supported by an annually developed comprehensive audit plan from internal and external audit and an opinion from the Head of Internal Audit on the arrangements for internal control and risk. These requirements, whilst challenging, has enabled an approach that has sought to ensure all arrangements take account of best practice, codes and guidance.

### 3. The Effectiveness of Internal Audit

3.1 A separate report reviewing the effectiveness of the arrangements for Audit is set out elsewhere on the agenda and includes a review of the effectiveness of the internal audit function and the effectiveness of the Joint Audit and Standards Committee. The report demonstrates the effectiveness of the arrangements for Audit against independent and objective criteria as a contribution to good governance. In doing so it concludes the process of providing the necessary assurances that the governance arrangements set out in the Code of Corporate Governance are working as intended and are effective.

### 4. The Code of Corporate Governance 2017/18

4.1 On an annual basis a Code of Corporate Governance is reviewed and updated, setting out the framework for governance within the OPCC. For 2017-18 the Code of Corporate Governance conforms to the updated Framework for Good Governance published by CIPFA which is applicable from April 2016. The CIPFA good governance framework is the best practice standard for Public Sector governance. The updated governance framework is based on seven principles, as set out in the proposed Code and has a much broader focus than previous iterations on delivering value for money, including outcomes and demonstrating effective performance, often working in partnership to achieve this.

### 5. Recommendations

5.1 Members of the Joint Audit and Standards Committee are asked to:

- (i) Review the Code of Corporate Governance 2017/18
- (ii) Review the Annual Governance Statement 2016/17
- (iii) Make any recommendations with regard to the Code, Statement and arrangements for governance for consideration by the Commissioner prior to publication alongside the financial statements

5.2 The Commissioner is asked to:

- (i) Where applicable, consider the recommendations of the Joint Audit and Standards Committee, determining any actions and/or amendments to the Code of Corporate Governance 2017/18 and Annual Governance Statement 2016/17
- (ii) Approve for signature, where applicable with amendments, the Annual Governance Statement for 2016/17 and to the date of this meeting, which will then accompany the Statement of Accounts for 2016/17

**Stuart Edwards**

**Ruth Hunter**

**Chief Executive**

**Chief Finance Officer/Deputy Chief Executive**

**Human Rights Implications:** None Identified

**Race Equality / Diversity Implications:** None Identified

**Personnel Implications:** None Identified

**Financial Implications:** None Identified

**Risk Management Implications:** The Governance Statement and the underpinning reviews, including the Effectiveness of Internal Audit are designed and intended to provide assurance on and compliance with high standards of corporate governance, including effective control and mitigation of the risk environment in which the Commissioner discharges his respective responsibilities.

Contact points for additional information

Ruth Hunter – Chief Executive/ Deputy Chief Executive

Tel: 01768 217734

E Mail: [ruth.hunter@cumbria.police.uk](mailto:ruth.hunter@cumbria.police.uk)

Stuart Edwards – Chief Executive

Tel: 01768 217734

E Mail: [stuart.edwards@cumbria.police.uk](mailto:stuart.edwards@cumbria.police.uk)