

## Regulatory and Audit Committee 24 September 2013

Agenda Item	Page No
5 REVISED ANNUAL GOVERNANCE STATEMENT	1 – 26

*ATTACHED:*

- *REVISED ANNUAL GOVERNANCE STATEMENT SHOWING TRACKED CHANGES*
- *FINAL VERSION OF REVISED ANNUAL GOVERNANCE STATEMENT*



INVESTOR IN PEOPLE





## Annual Governance Statement 2012/2013

### 1. Scope of responsibility

- 1.1 Buckinghamshire County Council (BCC) 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. BCC 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.
- 1.2 In discharging this overall responsibility, BCC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the 2007 CIPFA/SOLACE guidance "Delivering Good Governance in Local Government".
- 1.4 This Annual Governance Statement (AGS) explains how BCC has complied with the code and the requirements of Regulation 4(2) and 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement on Internal Control.

### 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values of the authority. The Council leads, engages and is accountable to its community. The framework 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.
- 2.2 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 not achieving policies, aims and objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the Council of not meeting its policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at BCC for the year ended 31 March 2013, and up to the date of approval of this annual governance statement and statement of accounts.

### **3. The governance framework**

3.1 BCC has the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

#### **Policy, Planning and Decision Making**

3.2 At the beginning of 2012/13 BCC had identified 4 key priorities:

- Helping the most vulnerable
- Keeping Bucks special
- Helping people to help themselves
- Working with you

These priorities had formed the basis of the 2011-13 Corporate Plan. During 2012/13 BCC developed a new Strategic Plan for the period 2013-17 in which the following priorities have been identified:

- To ensure Buckinghamshire has a thriving economy that is creating jobs
- To improve transport networks within Buckinghamshire and the surrounding areas
- To protect the county's special environment and ensure that it continues to be recognised nationally as one of the best places to live and work
- To encourage people and communities to be actively involved in their local area and services
- To help our children and young people reach their full potential
- To encourage people to do more for themselves whilst providing a safety net for the most vulnerable members of the population
- To provide high quality services and excellent value for money
- To ensure your local Council and its Councillors protect the interests of Buckinghamshire residents at local, regional and national levels

3.3 The Strategic Plan provides the focus for the improvements and changes in service delivery that are being made in all areas of the Council. Underpinning the Strategic Plan are eight Portfolio Plans. The eight plans align to each Cabinet Portfolio and act as action plans, bringing together budget, performance, project and risk data under several objectives. The Policy, Performance & Communication service facilitates delivery of the Strategic Plan and the eight Portfolio Plans, working closely with Services and Partners to spread best practice, track performance and create links with budget and risk data whilst also strengthening performance against local targets.

3.4 Policy and decision making is undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies are equality impact assessed. At present there are eight statutory committees and 19 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships have a remit to discuss and propose local issues to the Cabinet through local area planning arrangements and to advise on council expenditure. Members of the

public can raise issues of local concern and discuss these with their councillors. Every Committee report is subject to a review by the Service Director Legal & Democratic Services (Monitoring Officer) and the Service Director Finance & Commercial Services / s151 Officer, to ensure that the Council is acting lawfully and that the risk implications of reports requiring a decision are identified. Cross-organisation joint committees are established where it is appropriate.

- 3.5 The Council has a statutory Regulatory and Audit Committee which oversees the regulatory and governance functions of the Council such as reviewing the work of the Audit and Risk Management Team and External Audit. This Committee are the custodians of the Councils Constitution and provide independent assurance to the Council on risk management and internal control, and the effectiveness of the arrangements the Council has for these matters. This Committee also provides overview to the financial reporting process. The Committee meets at least quarterly and seeks to strengthen the assurance framework of the Council and also receives quarterly progress reports on internal control and risk management. There is a Risk Management Group which operates under the direction of the Committee, chaired by the Chairman of the Regulatory and Audit Committee and comprises of members of the Committee, the Chief Internal Auditor, S151 Officer, Monitoring Officer, and the Risk and Insurance Manager. This Group is responsible for monitoring and reviewing the adequacy and effectiveness of the risk management strategy and processes. The Group routinely reports to the Regulatory and Audit Committee.
- 3.6 At the meeting of Full Council on 19<sup>th</sup> July 2012 the Council adopted a Code of Conduct for elected Members and new procedures to deal with Standards complaints. The Regulatory and Audit Committee has the responsibility for ensuring that the Council continues to uphold high standards of behaviour and oversee standards policy and strategy development and member training, while hearings relating to standards complaints will be heard by members of the Appeal and Complaints Committee, that will be formed as required from the group of members on the Regulatory and Audit Committee.
- 3.7 The Council operates a scrutiny function which has changed at the beginning of 2013/14. During 2012/13 there were two Overview and Scrutiny Committees in operation. From April 2013, the scrutiny function is delivered through four Select Committees: Education, Skills and Children's Services Select Committee; Environment, Transport and Locality Services Select Committee; Performance and Resources Select Committee; and, the Health and Adult Social Care Select Committee. These are organised to hold the Cabinet and other local public bodies to account.
- 3.8 The Council obtains stakeholder views through a number of different ways, as outlined on the public website, coordinated by the Policy, Performance & Communication service. Stakeholder views are considered as part of standard reporting that underpins decision-making.

## **Monitoring of performance and compliance**

- 3.9 The Council has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations, Contracts Manual, Local Management in Schools Handbook and service procedure documentation.
- 3.10 The Council has adopted Codes of Conduct for its Members and staff and provides training in these areas as part of induction programmes. The Council's Monitoring Officer, the Service Director Legal and Democratic is responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events are frequently held and attendance is recorded. The Council's Anti-Fraud and Corruption Framework (which includes whistle blowing) applies to all stakeholders, and is reviewed annually by the Regulatory and Audit Committee.
- 3.11 The Council has established a Code of Governance which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The Code co-ordinates the various strands of governance across the organisation. To enhance the Council's governance arrangements, Service Directors are required to sign off an internal control self-assessment which is used to identify any weak areas of internal control. An action plan of improvements is built into the governance process. The Internal Audit team test the system of internal control through an annual programme of audits, which are used to quality assure the evidence base for the internal control self-assessments.
- 3.12 A joint finance and performance monitoring report is discussed quarterly at Cabinet and monthly by the Chief Officers' Management Team (COMT). Progress with Portfolio Plans is regularly reviewed by Service Directors, Strategic Directors and Cabinet Members. The Chief Executive reviews critical performance indicators and targets through the 'COMTstat' process. Members play a regular role in performance management, providing challenge to officers. The scrutiny panels monitor performance through the regular review of performance information and make recommendations for the improvement of services. All staff, with guidance from their line managers, set objectives in line with Portfolio Plans and performance is reviewed twice a year as part of the Delivering Successful Performance program. All employees also receive a series of one to ones throughout the year to ensure performance is consistent.
- 3.13 COMT have executive responsibilities for overview in ensuring that services are delivered in accordance with Council policy and procedures.

3.14 The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the Chief Officer's Management Team. The Risk Management Group considers significant service risks to the authority, and reviews the consistency with which the risk management process is being applied across the Council. The Group also has the responsibility for annually reviewing the adequacy of the existing Risk Management Strategy. The Chief Executive, via the Chief Auditor, is responsible for Officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.

~~3.15~~ The Audit and Risk Management Team provide the Council's Internal Audit service, providing assurance to the Council and the Service Director Finance and Commercial Services / s151 Officer as to the adequacy of the Council's financial and operational systems. The Internal Audit team are compliant with the CIPFA Code of Practice for Internal Audit, and a self-assessment against the new Public Sector Internal Audit Standards is to be completed and reported to the Regulatory and Audit Committee ~~in July 2013. The Annual Internal Audit Report for 2012/13 concludes that the system of internal control facilitates the effective exercise of the Council's functions.~~ The Chief Auditor attends all Regulatory and Audit Committees, reporting quarterly on the outcomes from internal audit reviews. Where material weaknesses are identified by Internal Audit, the Chief Executive provides a formal response to the Regulatory and Audit Committee detailing the action being taken. The Chief Auditor monitors the progress in implementing agreed management actions and reports on this quarterly to the Committee.

3.15 The Internal Audit Annual Report 2012/13 was presented to the Regulatory and Audit Committee on 27 June 2013. In that report the Chief Auditor concluded that overall the system of internal control facilitates the effective exercise of the Council's functions. There were seven "limited assurance" reports issued by Internal Audit during the year, concluding that there were not the necessary controls in place to give assurance that the system's objectives will be met. Four of those audits were of key systems:

- Payroll
- SAP Governance
- Safeguarding Vulnerable Adults Quality Assurance Framework
- Special Education Needs

Actions plans are in place to address the issues raised by the audits, and implementation is monitored by Internal Audit, and reported to the Regulatory and Audit Committee.

3.16 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Head of Internal Audit in public service organisations". This outlines the principles that define the core activities and behaviours that belong to the role of the Head of

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Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Internal Auditor objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Chief Internal Auditor is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Regulatory and Audit Committee;
- Leads and directs an internal audit service that is resourced to be fit for purpose; and, is professionally qualified and suitably experienced.

### **Financial Management of the Council**

3.17 The Council has a statutory responsibility under the Accounts and Audit Regulations 2011 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Council's functions. The Chief Financial Officer (Service Director Finance and Commercial Services) has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

3.18 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self – assessment confirms that the Council's financial management arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Financial Officer is a member of the County Council Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives. The Officer has regular 1:1's with the Chief Executive, and can report directly to them as required.
- The Chief Financial Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are



fully considered, and aligned with the Medium Term Financial Strategy.

- The Chief Financial Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Chief Financial Officer leads and directs a finance function that is adequately resourced to be fit for purpose.
- The Chief Financial Officer is professionally qualified and suitably experienced.

3.19 The Council currently has a four year medium term financial strategy, (2013/14 - 2016/17) under which it plans its finances. This is considered by the Cabinet and COMT and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by Overview and Scrutiny. Budgets are monitored throughout the year.

3.20 The Council has a set of Financial Regulations and Standing Orders as to Contracts which form part of the Constitution. Service Directors are required to keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. Formal monthly monitoring sessions occur.

3.21 Individual Service Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary control, maximising income and ensuring grant claims are submitted on time and ensuring that adequate financial controls are in place. Each service operates a Scheme of Financial Delegation that sets out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation are approved by the Strategic Director and by the S151 Officer (Service Director Finance and Commercial Services)

3.22 Finance staff collate financial information provide financial advice to the service managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations were revised in 2011 and the Financial Instructions are kept under regular review to ensure that guidance is up to date and relevant.

3.23 The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems. Auditor reports are considered by the Regulatory and Audit Committee.

3.24 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Procedure Rules form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are explained in reports for approval by full Council.

## **Economic, Effective and Efficient Use of Resources and Continuous Improvement**

- 3.25 Individual service managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. The Commercial Services Team work with all services to ensure purchasing decisions maximise the economic, effective and efficient use of resources.
- 3.26 In 2010 The Council started a Transformation Programme extending to 2013/14. Transformation is a programme of change designed to make savings, improve the way the council works, and improve how it delivers its services and ultimately the customer experience for people who live and work in Buckinghamshire. During 2012/13 the Programme was monitored by the Achieving Outstanding Performance Programme Board.

### **4. Review of effectiveness**

- 4.1 BCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council's review of effectiveness is an on-going process using outcomes from many of the procedures described above. All outcomes are considered by the officers responsible for developing the Annual Governance Statement.
- 4.2 The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Service Director Finance and Commercial Services/S151, the Service Director Legal Services/Monitoring Officer, Policy, Performance & Communications service, and the Audit and Risk Management Team. We have also used the assurances provided by our Service Directors through their signing of the "Certificate of Assurance over Internal Controls" self-assessment document. The key structures and processes that have been used during 2012/13 to maintain and review the effectiveness of internal control are described below:

#### **The Council:**

- Agrees our annual budget in accordance with the Council Plan priorities;
- Receives the Treasury Management Strategy and an annual report;
- Has agreed the Constitution that sets out the decision making structure, delegated authority and Financial Regulations which underpin the internal control framework.

#### **The Cabinet:**

- Monitors performance against the Corporate Objectives;
- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

**The Regulatory and Audit Committee:**

- Consider external auditor reports;
- Consider annual and quarterly reports from Internal Audit;
- Review and agree this Statement;
- Review and agree the final accounts;
- Consider issues of key risk identified by the Corporate Risk Register or specifically raised by the Chief Auditor
- Reviews the Treasury Management Strategy and Annual Report

**Select Committees:**

- Oversees and scrutinises decisions made by the Cabinet.

**Pension Fund Committee:**

- Oversees all matters relating to the BCC Pension Fund.

**Management Teams:**

- COMT receive regular reports in relation to assurance (e.g. financial, risk, audit, performance).

**Internal Audit and Risk Management:**

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Strategic Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee.

**Control Risk Self-Assessment:**

- All Service Directors sign off the “Certificate of Assurance over the Internal Control Framework”; and

**External Audit and Inspectorates:**

- The Service Director Finance and Commercial Services meets the External Auditors on a monthly basis and any concerns they have regarding the internal control environment are raised. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised;
- The External Auditor’s reports are considered by the Regulatory and Audit Committee.
- The External Auditor and the Internal Auditor meet regularly to discuss areas of risk and to agree work plans to ensure good co-ordination of resources.
- The outputs from the various Inspectorates are used by Service Directors where applicable to inform their certificate of assurance self- assessment.

**5. Significant governance issues**

- 5.1 It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following areas for improvement have been identified:
- 5.2 There were no issues of significance arising through our effectiveness review of our system of internal control other than those listed below. The internal audit process identified individual systems and processes with a limited system of control, but these have been accepted by Management and action plans put in place to address them. The internal audit follow up process ensures progress on these actions is reported to the Regulatory and Audit Committee.
- 5.3 The annual Certificate of Assurance procedure has overall identified that strong governance is applied across the Services. There are some service specific issues that have been identified for action, but only one which is of a more cross cutting issue; there are a number of staff who are not registered as having completed the mandatory data protection e-learning. There have been a number of high profile incidents nationally of data being lost or poorly managed which has resulted in both significant fines and reputational damage, so this training is essential to ensure staff are aware of their responsibilities.
- 5.4 The Internal Audit Function operated in compliance with the CIPFA Code of Practice, and has fulfilled its statutory role such that a reasonable opinion on the Council's system of internal control could be given; however, in April 2013 the new Public Sector Internal Audit Standards were introduced, and a self assessment has not yet been completed and reported to the Regulatory and Audit Committee. In addition to the self assessment, the Internal Audit Charter (terms of reference) needs to be updated and submitted to the Regulatory and Audit Committee for approval.
- 5.5 The Local Code of Corporate Governance has not been updated since 2007 and is not currently available on the public website. The code should be refreshed including the recording of the processes for assuring compliance, before being presented to the Regulatory and Audit Committee for approval.
- 5.6 The contract management framework continues to be developed, and in 2013/14 new contract management software is being introduced. The review of 'platinum' contracts is being extended initially to the 'gold' contracts. Once fully embedded the framework will become a key control process in the Council and will provide the management control over the performance of the Council's major contracts and the effectiveness of its contract management arrangements.
- 5.7 The 2011/12 annual governance statement identified four key actions to improve the governance framework:
  - The Chief Auditor to ensure the delivery of the counter-fraud plan through prioritising appropriately skilled resources to the planned activity, with quarterly progress reports to the Regulatory and Audit Committee.

The Counter-Fraud Plan was presented to the Regulatory and Audit and skilled resources have been put in place to manage the delivery of the plan and any investigations that are required.

- Business Continuity Plans

The Regulatory and Audit Committee has received regular updates on progress with Business Continuity Plans. Plans are now in place for Services.

- Governance framework and design of the system of internal control to be clear outputs from any development of new service delivery arrangements, that are subject to the review and approval of the Service Director Finance and Commercial Services / S151 Officer, and the Service Director Legal and Democratic before going live.

Both of the Statutory Officers listed above are actively involved in the major change programmes, supported by their network of professionals, and the programmes are subject to review by the Risk and Internal Audit Team, and the Risk Management Group.

- Roll out of the new risk management process, including training and review of all key service risks and assurance framework.

This has been completed and is operating satisfactorily. Further work is required to embed project risks and contract risks within the same process, and this is being developed in 2013/14.

- The Data Quality Strategy will be refreshed and Data Quality Champions will be identified for each Service with relevant objectives set as part of the DSP process.

The Data Quality Strategy has been drafted and is subject to approval by the Regulatory and Audit Committee. The 'Certificate of Assurance' process has highlighted that not all services currently have a data quality champion but this is being addressed.

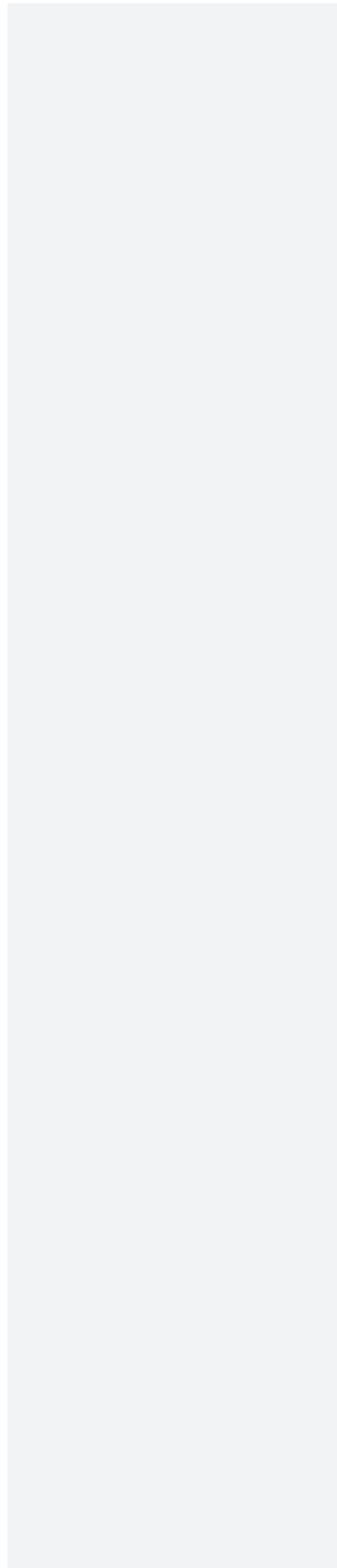
- 5.8 Over the coming year, BCC will take steps to address the matters detailed in the appendix to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

## 6 Declaration

- 6.1 We have been advised on the implications of the result of the review of effectiveness by the Regulatory and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed .....  
Chief Executive

Signed .....  
Leader of the Council



**Appendix 1 – AGS ACTION PLAN**

<b>Governance Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>
Not all staff have completed the mandatory data protection e-learning.	All staff to have completed the training by December 2013, with routine reports to the Information Governance Group on performance to ensure levels of compliance including new staff remains high.	Data Protection Manager	December 2013
Self assessment against the Public Sector Internal Audit Standards to be completed and the Audit Charter updated.	The Chief Internal Auditor to complete the assessment and to prepare an action plan for addressing any gaps identified. Audit Charter to be updated	Chief Internal Auditor	September 2013
Local Code of Corporate Governance not updated or reviewed since 2007	Local Code to be refreshed and submitted to the Regulatory and Audit Committee for approval. Process to be established for regularly reviewing the code.	Chief Internal Auditor	September 2013
On-going development of the Contract Management Framework	Contract Management software to be implemented and embedded across the council; to include all platinum and gold contracts. Routine management reporting established to provide assurance over the performance and effectiveness of contract management for all major contracts	Service Director, Finance and Commercial Services	March 2014





## **Annual Governance Statement 2012/2013**

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- 3.9 The Council has a duty to ensure that it acts in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Standing Orders, Financial Regulations, Contracts Manual, Local Management in Schools Handbook and service procedure documentation.
- 3.10 The Council has adopted Codes of Conduct for its Members and staff and provides training in these areas as part of induction programmes. The Council's Monitoring Officer, the Service Director Legal and Democratic is responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events are frequently held and attendance is recorded. The Council's Anti-Fraud and Corruption Framework (which includes whistle blowing) applies to all stakeholders, and is reviewed annually by the Regulatory and Audit Committee.
- 3.11 The Council has established a Code of Governance which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The Code co-ordinates the various strands of governance across the organisation. To enhance the Council's governance arrangements, Service Directors are required to sign off an internal control self-assessment which is used to identify any weak areas of internal control. An action plan of improvements is built into the governance process. The Internal Audit team test the system of internal control through an annual programme of audits, which are used to quality assure the evidence base for the internal control self-assessments.
- 3.12 A joint finance and performance monitoring report is discussed quarterly at Cabinet and monthly by the Chief Officers' Management Team (COMT). Progress with Portfolio Plans is regularly reviewed by Service Directors, Strategic Directors and Cabinet Members. The Chief Executive reviews critical performance indicators and targets through the 'COMTstat' process. Members play a regular role in performance management, providing challenge to officers. The scrutiny panels monitor performance through the regular review of performance information and make recommendations for the improvement of services. All staff, with guidance from their line managers, set objectives in line with Portfolio Plans and performance is reviewed twice a year as part of the Delivering Successful Performance program. All employees also receive a series of one to ones throughout the year to ensure performance is consistent.
- 3.13 COMT have executive responsibilities for overview in ensuring that services are delivered in accordance with Council policy and procedures.

- 3.14 The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the Chief Officer's Management Team. The Risk Management Group considers significant service risks to the authority, and reviews the consistency with which the risk management process is being applied across the Council. The Group also has the responsibility for annually reviewing the adequacy of the existing Risk Management Strategy. The Chief Executive, via the Chief Auditor, is responsible for Officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.
- 3.15 The Audit and Risk Management Team provide the Council's Internal Audit service, providing assurance to the Council and the Service Director Finance and Commercial Services / s151 Officer as to the adequacy of the Council's financial and operational systems. The Internal Audit team are compliant with the CIPFA Code of Practice for Internal Audit, and a self-assessment against the new Public Sector Internal Audit Standards is to be completed and reported to the Regulatory and Audit Committee. The Chief Auditor attends all Regulatory and Audit Committees, reporting quarterly on the outcomes from internal audit reviews. Where material weaknesses are identified by Internal Audit, the Chief Executive provides a formal response to the Regulatory and Audit Committee detailing the action being taken. The Chief Auditor monitors the progress in implementing agreed management actions and reports on this quarterly to the Committee.
- 3.16 The [Internal Audit Annual Report](#) 2012/13 was presented to the Regulatory and Audit Committee on 27 June 2013. In that report the Chief Auditor concluded that overall the system of internal control facilitates the effective exercise of the Council's functions. There were seven "limited assurance" reports issued by Internal Audit during the year, concluding that there were not the necessary controls in place to give assurance that the system's objectives will be met. Four of those audits were of key systems:
- Payroll
  - SAP Governance
  - Safeguarding Vulnerable Adults Quality Assurance Framework
  - Special Education Needs
- Actions plans are in place to address the issues raised by the audits, and implementation is monitored by Internal Audit, and reported to the Regulatory and Audit Committee.
- 3.17 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Head of Internal Audit in public service organisations". This outlines the principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit and the governance requirements needed to support them. The Council's arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Internal Auditor objectively assesses the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and
- Gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Chief Internal Auditor is a Senior Manager with regular and open engagement across the organisation, including the Leadership Team and the Regulatory and Audit Committee;
- Leads and directs an internal audit service that is resourced to be fit for purpose; and, is professionally qualified and suitably experienced.

### **Financial Management of the Council**

3.18 The Council has a statutory responsibility under the Accounts and Audit Regulations 2011 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of the Council's functions. The Chief Financial Officer (Service Director Finance and Commercial Services) has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:

- Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice.
- Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
- Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information and sound advice on financial decisions to be made by officers and members.

3.19 In 2010 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Statement on the "Role of the Chief Financial Officer in Local Government". This outlines the principles that define the core activities and behaviours that belong to the role of Chief Financial Officer and the governance requirements needed to support them. A self – assessment confirms that the Council's financial management arrangements conform with the governance requirements of the CIPFA statement as outlined below:

- The Chief Financial Officer is a member of the County Council Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives. The Officer has regular 1:1's with the Chief Executive, and can report directly to them as required.
- The Chief Financial Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Medium Term Financial Strategy.

- The Chief Financial Officer leads the promotion and delivery by the County Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
  - The Chief Financial Officer leads and directs a finance function that is adequately resourced to be fit for purpose.
  - The Chief Financial Officer is professionally qualified and suitably experienced.
- 3.20 The Council currently has a four year medium term financial strategy, (2013/14 - 2016/17) under which it plans its finances. This is considered by the Cabinet and COMT and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by Overview and Scrutiny. Budgets are monitored throughout the year.
- 3.21 The Council has a set of Financial Regulations and Standing Orders as to Contracts which form part of the Constitution. Service Directors are required to keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. Formal monthly monitoring sessions occur.
- 3.22 Individual Service Managers have considerable responsibility with respect to finance. These responsibilities include maintaining a proper system of budgetary control, maximising income and ensuring grant claims are submitted on time and ensuring that adequate financial controls are in place. Each service operates a Scheme of Financial Delegation that sets out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation are approved by the Strategic Director and by the S151 Officer (Service Director Finance and Commercial Services)
- 3.23 Finance staff collate financial information provide financial advice to the service managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations were revised in 2011 and the Financial Instructions are kept under regular review to ensure that guidance is up to date and relevant.
- 3.24 The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also consider the Financial Management arrangements, and provide an opinion on value for money systems. Auditor reports are considered by the Regulatory and Audit Committee.
- 3.25 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Procedure Rules form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are explained in reports for approval by full Council.

**Economic, Effective and Efficient Use of Resources and Continuous Improvement**

- 3.26 Individual service managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. The Commercial Services Team work with all services to ensure purchasing decisions maximise the economic, effective and efficient use of resources.
- 3.27 In 2010 The Council started a Transformation Programme extending to 2013/14. Transformation is a programme of change designed to make savings, improve the way the council works, and improve how it delivers its services and ultimately the customer experience for people who live and work in Buckinghamshire. During 2012/13 the Programme was monitored by the Achieving Outstanding Performance Programme Board.

#### **4. Review of effectiveness**

- 4.1 BCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council's review of effectiveness is an on-going process using outcomes from many of the procedures described above. All outcomes are considered by the officers responsible for developing the Annual Governance Statement.
- 4.2 The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Service Director Finance and Commercial Services/S151, the Service Director Legal Services/Monitoring Officer, Policy, Performance & Communications service, and the Audit and Risk Management Team. We have also used the assurances provided by our Service Directors through their signing of the "Certificate of Assurance over Internal Controls" self-assessment document. The key structures and processes that have been used during 2012/13 to maintain and review the effectiveness of internal control are described below:

##### **The Council:**

- Agrees our annual budget in accordance with the Council Plan priorities;
- Receives the Treasury Management Strategy and an annual report;
- Has agreed the Constitution that sets out the decision making structure, delegated authority and Financial Regulations which underpin the internal control framework.

##### **The Cabinet:**

- Monitors performance against the Corporate Objectives;
- Makes key decisions subject to inclusion on the forward plan;
- Considers and reviews budget monitoring reports on a quarterly basis;

##### **The Regulatory and Audit Committee:**



- Consider external auditor reports;
- Consider annual and quarterly reports from Internal Audit;
- Review and agree this Statement;
- Review and agree the final accounts;
- Consider issues of key risk identified by the Corporate Risk Register or specifically raised by the Chief Auditor
- Reviews the Treasury Management Strategy and Annual Report

**Select Committees:**

- Oversees and scrutinises decisions made by the Cabinet.

**Pension Fund Committee:**

- Oversees all matters relating to the BCC Pension Fund.

**Management Teams:**

- COMT receive regular reports in relation to assurance (e.g. financial, risk, audit, performance).

**Internal Audit and Risk Management:**

- Provide objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan;
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Strategic Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings is made to the Regulatory and Audit Committee.

**Control Risk Self-Assessment:**

- All Service Directors sign off the “Certificate of Assurance over the Internal Control Framework”; and

**External Audit and Inspectorates:**

- The Service Director Finance and Commercial Services meets the External Auditors on a monthly basis and any concerns they have regarding the internal control environment are raised. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised;
- The External Auditor’s reports are considered by the Regulatory and Audit Committee.
- The External Auditor and the Internal Auditor meet regularly to discuss areas of risk and to agree work plans to ensure good co-ordination of resources.
- The outputs from the various Inspectorates are used by Service Directors where applicable to inform their certificate of assurance self- assessment.

**5. Significant governance issues**

5.1 It should be noted that governance issues facing the organisation are not necessarily always a result of weaknesses within the internal control framework. The following areas for improvement have been identified:

- 5.2 There were no issues of significance arising through our effectiveness review of our system of internal control other than those listed below. The internal audit process identified individual systems and processes with a limited system of control, but these have been accepted by Management and action plans put in place to address them. The internal audit follow up process ensures progress on these actions is reported to the Regulatory and Audit Committee.
- 5.3 The annual Certificate of Assurance procedure has overall identified that strong governance is applied across the Services. There are some service specific issues that have been identified for action, but only one which is of a more cross cutting issue; there are a number of staff who are not registered as having completed the mandatory data protection e-learning. There have been a number of high profile incidents nationally of data being lost or poorly managed which has resulted in both significant fines and reputational damage, so this training is essential to ensure staff are aware of their responsibilities.
- 5.4 The Internal Audit Function operated in compliance with the CIPFA Code of Practice, and has fulfilled its statutory role such that a reasonable opinion on the Council's system of internal control could be given; however, in April 2013 the new Public Sector Internal Audit Standards were introduced, and a self assessment has not yet been completed and reported to the Regulatory and Audit Committee. In addition to the self assessment, the Internal Audit Charter (terms of reference) needs to be updated and submitted to the Regulatory and Audit Committee for approval.
- 5.5 The Local Code of Corporate Governance has not been updated since 2007 and is not currently available on the public website. The code should be refreshed including the recording of the processes for assuring compliance, before being presented to the Regulatory and Audit Committee for approval.
- 5.6 The contract management framework continues to be developed, and in 2013/14 new contract management software is being introduced. The review of 'platinum' contracts is being extended initially to the 'gold' contracts. Once fully embedded the framework will become a key control process in the Council and will provide the management control over the performance of the Council's major contracts and the effectiveness of its contract management arrangements.
- 5.7 The 2011/12 annual governance statement identified four key actions to improve the governance framework:
- The Chief Auditor to ensure the delivery of the counter-fraud plan through prioritising appropriately skilled resources to the planned activity, with quarterly progress reports to the Regulatory and Audit Committee.

The Counter-Fraud Plan was presented to the Regulatory and Audit and skilled resources have been put in place to manage the delivery of the plan and any investigations that are required.

- Business Continuity Plans

The Regulatory and Audit Committee has received regular updates on progress with Business Continuity Plans. Plans are now in place for Services.

- Governance framework and design of the system of internal control to be clear outputs from any development of new service delivery arrangements, that are subject to the review and approval of the Service Director Finance and Commercial Services / S151 Officer, and the Service Director Legal and Democratic before going live.

Both of the Statutory Officers listed above are actively involved in the major change programmes, supported by their network of professionals, and the programmes are subject to review by the Risk and Internal Audit Team, and the Risk Management Group.

- Roll out of the new risk management process, including training and review of all key service risks and assurance framework.

This has been completed and is operating satisfactorily. Further work is required to embed project risks and contract risks within the same process, and this is being developed in 2013/14.

- The Data Quality Strategy will be refreshed and Data Quality Champions will be identified for each Service with relevant objectives set as part of the DSP process.

The Data Quality Strategy has been drafted and is subject to approval by the Regulatory and Audit Committee. The 'Certificate of Assurance' process has highlighted that not all services currently have a data quality champion but this is being addressed.

5.8 Over the coming year, BCC will take steps to address the matters detailed in the appendix to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation and operation as part of our next annual review.

**6 Declaration**

6.1 We have been advised on the implications of the result of the review of effectiveness by the Regulatory and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed .....  
Chief Executive

Signed .....  
Leader of the Council

## Appendix 1 – AGS ACTION PLAN

Governance Issue	Action to be taken	Responsible Officer	Timescale for completion
Not all staff have completed the mandatory data protection e-learning.	All staff to have completed the training by December 2013, with routine reports to the Information Governance Group on performance to ensure levels of compliance including new staff remains high.	Data Protection Manager	December 2013
Self assessment against the Public Sector Internal Audit Standards to be completed and the Audit Charter updated.	The Chief Internal Auditor to complete the assessment and to prepare an action plan for addressing any gaps identified. Audit Charter to be updated	Chief Internal Auditor	September 2013
Local Code of Corporate Governance not updated or reviewed since 2007	Local Code to be refreshed and submitted to the Regulatory and Audit Committee for approval. Process to be established for regularly reviewing the code.	Chief Internal Auditor	September 2013
On-going development of the Contract Management Framework	Contract Management software to be implemented and embedded across the council; to include all platinum and gold contracts. Routine management reporting established to provide assurance over the performance and effectiveness of contract management for all major contracts	Service Director, Finance and Commercial Services	March 2014