Annual Governance Statement 2014/2015

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 Constitution, and an internal Operating Framework and Procedure Report, which sets out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". The Buckinghamshire County Council Constitution is on the BCC website, www.buckscc.gov.uk.

1.4   This statement explains how BCC has complied with the governance framework and also meets the requirements of the Accounts and Audit Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2.   The purpose of the governance framework

2.1   The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money

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   During 2014/15 the Council transformed its management structures and operating framework; including changes to the Constitution, under a major programme called "Future Shape". The changes became effective

from 1 April 2015. The Governance Framework set out in the following sections reflects the current position as at 30 June 2015. Between 1 April 2014 and 30 March 2015, the framework remained unchanged from that reported in the 2013/14 AGS, presented to the Regulatory and Audit Committee on 25 June 2014.

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 The Council has eight priorities which are set out in the Strategic Plan. The priorities are as follows:
- A Thriving Economy;
- Value for Money;
- Our Special Environment;
- Getting Involved:
- Reaching Potential;
- A Safety Net;
- Our Transport Links; and,
- Speaking up for Residents.

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 four Business Unit Plans which act as action plans, bringing together budget, performance, and project and risk data under several objectives. The Strategy and Policy team facilitates delivery of the Strategic Plan working closely with Business Units 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. In addition to the Council and Cabinet, there are seven statutory committees and 18 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 Director (Legal); the Council's Monitoring Officer; and, the Director of Assurance, 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 Business Assurance Team (including

Internal Audit and Risk Management) 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 Business Assurance 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 The Council operates a Code of Conduct. 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 through four Select Committees: Children's Social Care and Learning Select Committee; Transport, Environment and Communities Select Committee; Finance, Performance and Resources Select Committee; and, the Health and Adult Social Care Select Committee.

3.8 The Council obtains stakeholder views through a number of different ways, as outlined on the public website, coordinated by the Strategy and Policy. 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 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 an Operating Framework which outlines the Council's commitment to conducting its operations in accordance with good governance principles. The operating framework co-ordinates the various strands of governance across the organisation. A system of assurance has been developed to monitor the compliance with the Operating Framework across the organisation, and the effectiveness of the governance arrangements; risk management; and, the system of internal control. The Business Assurance Team is responsible for monitoring the assurance framework, and for the routine reporting to the One Council Board (OCB) and the Regulatory and Audit Committee.

3.12 A joint finance and performance monitoring report is discussed quarterly at Cabinet and monthly by the OCB. Progress with Business Unit Plans is monitored by the Business Unit Management Boards, comprising of the Managing Directors, their Service Managers, the Finance Director and Cabinet Members. The Strategic Commission service within Headquarters provides the corporate oversight of the progress with the Business Unit Plans and their alignment with the aims set out in the Strategic Plan. Members play a regular role in performance management, providing challenge to officers. The Select Committees 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 the Business 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 The OCB 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 OCB. 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 Assurance and Risk Management Strategy. The Chief Executive, via the Director for Assurance, and 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 Business Assurance Team includes the Internal Audit Service, and provides assurance to the Council and the Director of Assurance/ s151 Officer as to the adequacy of the Council's financial and operational systems. 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 Service Director 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. The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, there are currently three areas of non-conformance with those standards:-

- The Chief Auditor has operational management responsibility for the Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, the Business Assurance Manager reports directly to the Director of Assurance (S151 Officer);
- An Internal Audit Charter is to be drafted as part of the governance framework being developed under the Future Shape Programme; and,
- A Quality Assurance and Improvement Programme is being drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter

3.16 The Internal Audit Annual Report was presented to the Regulatory and Audit Committee on 24 June 2015. 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 five "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:
- Marlow School
- Contract Management Application
- Business Continuity
- AFW Payments to Providers
- AFW Debt Management.

Actions plans are in place to address the issues raised by the audits.

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 2015 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 Director of Assurance 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 (Director of Assurance) is a member of the County Council Management Team, (One Council Board), helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives. The Officer reports directly.
- 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 three year medium term financial strategy, under which it plans its finances. This is considered by the Cabinet and OCB and approved by the Council. The Council sets annual revenue and capital budgets that are reviewed by the Finance, Performance and Resources Select Committee. 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. Managing Directors are required to maintain systems and processes within their Business Unit ensure they keep accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. There is a Finance Director within each Business Unit with responsibility for ensuring that financial management and financial control is operating effectively.

3.22 Under the management structures within each Business Unit, accountable to the Managing Directors, 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 Managing Director and by the Director of Assurance / S151 Officer.

3.23 Finance staff collate financial information provide financial advice to the managers, help to implement the financial control framework and ensure sound financial administrative systems are in place. Contract Standing Orders and Financial Regulations 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 Standing Orders form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are considered by the Regulatory and Audit Committee, and reported for approval by full Council.

Economic, Effective and Efficient Use of Resources and Continuous Improvement

3.26 Service Managers are responsible for ensuring that they adopt the principles of continuous improvement and value for money. Finance

Directors in each Business Unit provide monitoring and scrutiny of the financial management processes. The Procurement Team work with all Business Units to ensure purchasing decisions maximise the economic, effective and efficient use of resources.

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, Director of Assurance/S151, the Monitoring Officer, and the Business Assurance 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 2014/15 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:

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

Internal Audit and Risk Management (Business Assurance Team):
- 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 Managing 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 Director of Assurance 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, Director of Assurance, and the Chief 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.
- As referred to in the 2013/14 AGS, In June 2014Ofsted undertook an inspection of Children's Social Care, reporting their findings in August 2014.

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 are the key matters arising from the review of 14/15, including the outcome of the actions set out in last year's AGS:

5.2 The 2013/14 annual governance statement identified eight key actions to improve the governance framework, the outcome of the action plan is as follows:

Ofsted Inspection of Children's Social Care
- The inspection report was published in August 2014, and the Council was required to provide an improvement plan within 70 days, setting out detailed actions to be taken and the timescale, to address the unsatisfactory areas identified in the report.

The improvement plan was produced and an improvement board comprising of senior managers, members and stakeholders, has been managing the delivery of the improvement plan. The effectiveness of the Board and the delivery of the Improvement Plan are subject to external monitoring and reporting to Central Government; and internally to the Select Committee, and Regulatory and Audit Committee.

Data Protection e-learning
- All staff to have completed the training by October 2014. The Regulatory and Audit Committee to receive a quarterly performance report on the level of compliance.

  The action was implemented; however the governance audits completed by Internal Audit, and the recently completed controls self-assessment by Service Directors has identified that the action taken has not fully embedded. The quarterly performance reporting to the Regulatory and Audit Committee was not routinely completed, and will be restated in 2015/16.

Non-conformance with the Public Sector Internal Audit Standards
- There were two areas of non-conformance requiring action; the preparation of a continuous improvement plan; and, the production of an Internal Audit Charter.   This action has not been completed so have been restated in the 14/15 AGS action plan.

Contract Management Framework
- The Contract Management software was 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

  This action has been progressed; however, a recent internal audit concluded limited assurance on compliance with the contract management application; in addition the routine assurance reporting as a key management control has not been completed. The Regulatory and Audit Committee have received a management update following the audit; will be monitoring progress through 15/16. The action is restated in the 2014/15 AGS action plan

- **Strengthening of the Governance Arrangements within the Transport for Buckinghamshire Contract, including quality assurance and contract monitoring.**
  A detailed improvement plan has been produced and implemented throughout 14/15, with regular updates to the Select Committee and the Regulatory and Audit Committee. The resources for quality assurance and contract monitoring have been increased.

- **Debt Management Strategy to be reviewed**
  The Debt Management strategy was revised and approved by Council after consideration by the Regulatory and Audit Committee. The Committee will be receiving a report on the performance of debt

management on January 2016 to consider whether the new strategy has been effective

- **Implementation of the Audit Action Tracking System**
  This action has been completed and quarterly updates on the implementation of actions arising from internal audit reports are reported to the Regulatory and Audit Committee.

- **Change to the governance and operating framework for the Council**
  The governance and assurance framework to underpin the new operating framework has recently been approved by the Regulatory and Audit Committee. The action as originally stated has been completed. The embedding of the assurance framework and the new operating framework remain a key governance objective for 15/16, and therefore is included as an action.

5.3 In 2014/15 Internal Audit issued five audit reports with a conclusion of 'Limited' assurance over the system of internal control. Management actions have been agreed, and positive assurance received from the Managers that actions are being taken, either through the Audit Action Tracking system, or directly through managers reporting progress to the Regulatory and Audit Committee. Follow up audits will be undertaken in 2015/16 to provide assurance to the Committee that the actions are complete and the improved controls are operating effectively.

5.4 One of the Limited Assurance audits was Business Continuity. Further to the audit report being issued, the dashboard performance report produced by the by the Resilience Team has also confirmed limited assurance on the adequacy of the business continuity plans maintained. Business continuity is a key governance process and is therefore included as an action for the AGS.

5.5 A key feature of the Future Shape strategy is the development of alternative delivery vehicles (ADV's), as part of the move towards a more commissioning organisation. During 14/15 new ADV's became operational, including Trusts and Companies where BCC is the major shareholder. With the experience of a number of ADV's being operational, a review is being undertaken to look at the governance arrangements which the Council has in place to oversee its interest in these bodies, and the assurance that can be taken.

5.6 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 no material weaknesses. The actions to address local issues will be monitored by Internal Audit.

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 …………………..   Signed …………………………..
Chief Executive   Leader of the Council

Appendix 1 – AGS ACTION PLAN

Governance Issue	Action to be taken	Responsible Officer	Timescale for completion
Non-conformance with the Public Sector Internal Audit Standards (PSIAS).	Action plan implemented to address the areas of non-conformance with the PSIAS, reporting to the R&A Committee.	Chief Internal Auditor	December 2015
On-going development of the Contract Management Framework	Compliance with the use of the Contract Management Application software, and routine management reporting established to provide assurance over the performance and effectiveness of contract management for all major contracts	Head of Innovation and Commercialisation	March 2016
Business Continuity Plans	Business Continuity Plans to be maintained with reasonable assurance over completeness and application.	Director of Assurance/Resilience Manager	March 2016
Governance over Alternative Delivery Vehicles	Review of the governance of ADV's and the effectiveness in providing assurance over the interests of the Council in those bodies.	Director of Assurance/Director of Strategy & Policy	December 2015
Embedding the Operating Framework and system of assurance	Implementing the Assurance Framework with routine reporting to the OCB and the Regulatory and Audit Committee.	Director of Assurance	March 2016