

## Agenda Item No: .....

<b>SUBJECT:</b>	<b>Annual Governance Statement 2008/09</b>
<b>REPORT OF:</b>	<b>Officer Management Team - All</b>
	<b>Prepared by - Head of Finance &amp; IT</b>

## 1. Purpose of Report

### 1.1. The purpose of this report is to:

- provide Members with sufficient evidence so that they can conduct the statutory review of the effectiveness of Internal Audit,
- provide Members with sufficient evidence so that they can conduct the statutory review of the effectiveness of the Authority's Governance Framework / system of internal control, and
- allow Members to comment on the draft statutory Annual Governance Statement for 2008/09.

## 2. Links to Council Policy Objectives

### 2.1. This report relates to the Authority's Corporate Governance Framework which underpins the effective operation of all the Council's activities.

## 3. Background

### 3.1. Governance is defined as:

*'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner' (CIPFA / SOLACE).*

It comprises the systems and processes, and culture and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

### 3.2. Following the publication of the CIPFA / SOLACE Governance Framework in July 2007 a new Governance Framework was considered by the Audit Committee on 13 December 2007 and subsequently adopted by Full Council on 22 January 2008.

### 3.3. Internal control is the name given to the policies, procedures, systems and review mechanisms that are put in place to ensure that the organisation is subject to adequate management to ensure that the organisation meets its objectives. Internal audit is one element of internal control.

### 3.4. The Accounts and Audit Regulations 2003 require that the system of internal control is reviewed at least once a year and that an appropriate statement is produced and included in the annual Statement of Accounts. The actual requirement is as follows:

*'The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'*

*'The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices, with any statement of accounts it is obliged to publish.'*

- 3.5. The latest proper practice guidance requires the statement on internal control to be incorporated within a wider 'Annual Governance Statement'.
- 3.6. CIPFA have issued guidance on how to meet the requirements of the Accounts and Audit Regulations in their publication entitled 'The Annual Governance Statement - Meeting the Requirements of the Accounts and Audit Regulations' and in the accompanying 'Rough Guide for Practitioners'.
- 3.7. The Accounts and Audit (Amendment) Regulations 2006 also introduced a requirement to review the effectiveness of the system of internal audit. The actual requirement is as follows:

*'The relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit.'*

*The findings of the review ... shall be considered, as part of the consideration of the system of internal control'.*

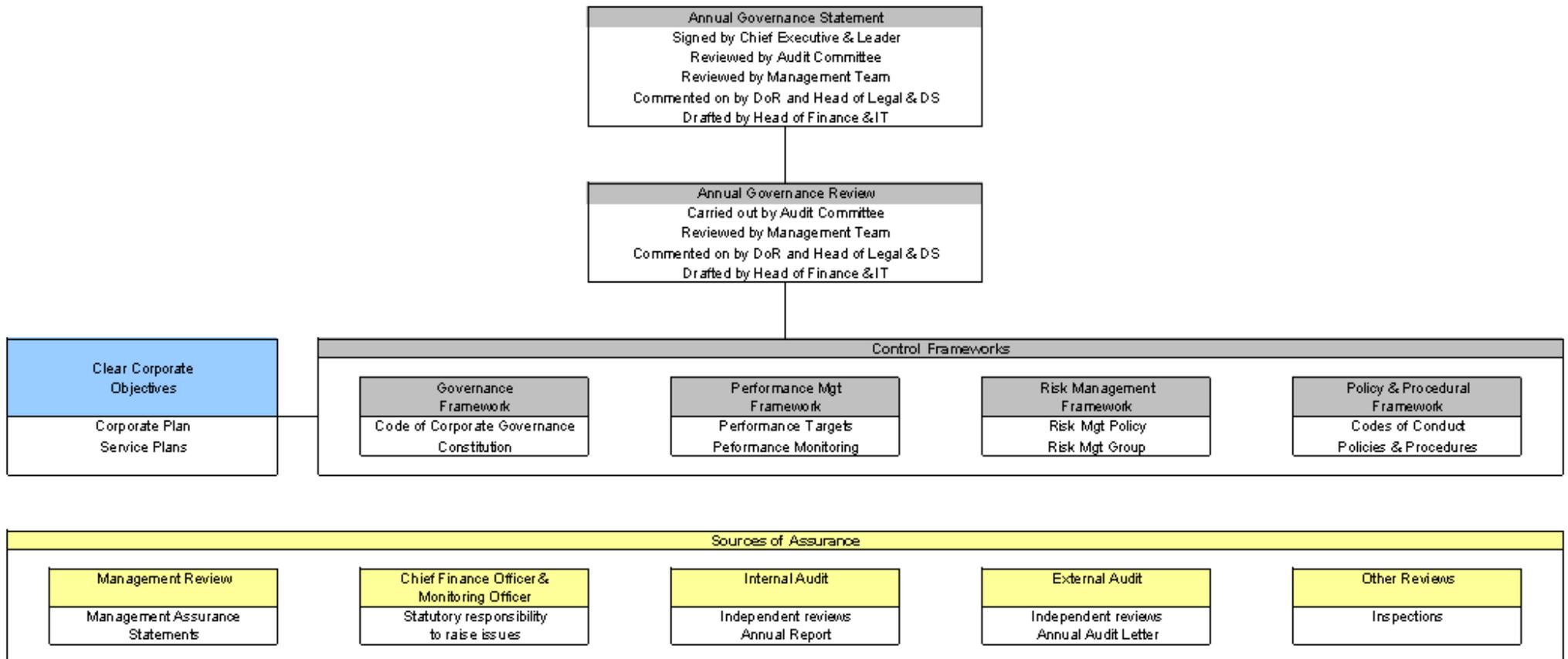
#### **4. Responsibility for Undertaking the Review**

- 4.1. The regulations state that the 'relevant body' shall conduct the review of internal control / internal audit and be responsible for reviewing the Statement included in the accounts. The terms of reference for the Audit Committee encompass this responsibility on behalf of the Authority.

#### **5. Overall Framework**

- 5.1. The diagram overleaf summaries the SBDC Corporate Governance Assurance Framework.
- 5.2. Essentially for there to be good corporate governance there needs to be clear corporate objectives supported by four effective frameworks covering Governance, Performance Management, Risk Management and Policies & Procedures.
- 5.3. And in order to assess the arrangements it is helpful to draw on five sources of assurance namely - Management Review, Statutory Officer Review, Internal Audit, External Audit and Other Reviews.

Diagrammatic Representation of SBDC Corporate Governance Framework



## 6. Review of Internal Audit

- 6.1. As Internal Audit is a key source of assurance it is appropriate to review the quality of internal audit to assess whether it is appropriate to rely on this source of assurance.
- 6.2. During 2008/09 Internal Audit was contracted out to Bentley Jennison. Under the contract they provided 145 days of internal audit work and issued 21 internal audit reports. Their annual report on their 2008/09 audit work is to be considered at this Audit Committee meeting.
- 6.3. In order to review Internal Audit, it is appropriate to assess their work in relation to five key questions which are detailed in the table below:

Question	Evaluation
Has Internal Audit carried out its audit plan satisfactorily?	Bentley Jennison have carried out all the work set out in their 2008/09 audit plan.
Has Internal Audit maintained its independence?	As internal audit is provided by an external organisation this helps maintain its complete independence of SBDC, and no concerns have been raised relating to the independence of internal audit.
Has the quality of Internal Audit work been satisfactory?	External Audit reviews the work of internal audit and they have not raised any issues of concern. Management have also not raised any concerns over the quality of the Internal Audit work.
Has internal audit maintained a Performance Management and Quality Assurance Framework to quality assure its work?	RSM Bentley Jennison has a Performance Management and Quality Assurance Framework in place which requires all staff to complete working papers in accordance with documented quality procedures and to prepare reports within agreed timescales. All working papers are subject to quality review by an audit manager, and draft reports are examined by the audit manager and reviewed by a partner before issue to the client. In addition, RSM BJ technical team perform an independent review of a sample of all audit files produced to provide assurance that minimum standards are being maintained.
Has Internal Audit complied with the code of audit practice?	Bentley Jennison have carried out their work in line with professional guidelines and no concerns have been raised regarding compliance with the code of audit practice. At the Audit Committee meeting on 2 April 2007 Members received a report on compliance with the CIPFA code of practice for Internal Audit and no concerns were noted.

- 6.4. Given the positive evaluation of internal audit in response to these issues, it is therefore suggested that the system of internal audit has generally been effective during 2008/09, and thus it is appropriate to rely on the assurances provided by Internal Audit.

## 7. Review of Governance Framework

7.1. The CIPFA guidance recommends following 8 steps in order to carry out a review of Governance, and the following table provides details of how well SBDC meets these requirements.

	Requirement	Progress
1a	Establish principal statutory obligations and organisational objectives.	This has been met by: <ul style="list-style-type: none"> <li>Establishing the Council's aims and objectives</li> <li>Producing the Corporate Plan and Service plans</li> <li>Producing the other plans and strategies within the organisation.</li> </ul> Further details with regard to meeting this requirement are included in Appendix 1a.
1b	Apply the 6 CIPFA / SOLACE core [Governance] principles.	See analysis in Appendix 1b. No significant issues identified.
2	Identify principal risks to achievement of objectives.	This has been met by the production of strategic and operational risk registers. Further details with regard to meeting this requirement are included in appendix 2.
3	Identify and evaluate key controls to manage principal risks.	This is met as the SBDC risk registers require risks to be assessed and mitigating controls identified. Further details with regard to meeting this requirement are included in Appendix 3. The latest internal audit of risk management assessed the Authority's risk management processes as 'risk defined'
4	Obtain assurances on effectiveness of key controls.	This is met as it occurs throughout the year as part of the ongoing management of the organisation. However for the purpose of the annual review of internal control it is useful to summarise the key sources of assurance and this is done in section 8 below.
5	Evaluate assurances and identify gaps in control / assurances.	See section 9 below.
6	Draw up an action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance.	The actions to be taken to address the weaknesses identified are detailed in section 9 of this report below.
7	Produce Annual Governance Statement.	Draft statement included as Appendix 4.
8	Report to Members.	This report meets this requirement.

## 8. Sources of Assurances

8.1. There are five key sources of assurance. These are:

- Management review
- The roles of the Chief Finance Officer and the Monitoring Officer
- Internal Audit
- External Audit, and
- Other Review Agencies and Inspectorates.

8.2. The following table summaries the assurances obtained at SBDC from these sources for 2008/09.

Source of Assurance	Comment from Guidance	Assurance Obtained at SBDC
Management Review	Managers should routinely monitor and review the internal controls as an integral part of the risk management process.	Officers are: guided by the Council's aims and objectives; operate within the Council's rules and regulations; produce service plans; maintain risk registers; and regularly report on progress to Senior Officers and Members. In addition for 2008/09 all senior managers were asked to complete a management assurance return to highlight any weaknesses in internal control. The only significant issue raised was regarding the lack of a full business continuity plan. (Potential issues for disclosure - Business continuity.)
The Role of the Chief Finance Officer and the Monitoring Officer	The statutory functions undertaken by these two officers provide a key source of assurance that the systems and procedures of internal control that are in operation are effective, efficient and are being complied with on a routine basis.	During 2008/09 no significant issues have been raised by either the Chief Finance Officer (Director of Resources) or the Monitoring Officer (Head of Legal & Democratic Services).
Internal Audit	The relevant body is likely to take assurance from the work of Internal Audit as the Code of Practice for Internal Audit in Local Government requires the Head of Internal Audit to include in the annual Internal Audit report an opinion on the overall adequacy and effectiveness of the authority's internal control environment. Therefore provided the body can satisfy itself that Internal Audit operates to the standards set out in the Code, the relevant body is justified in taking assurance from this opinion.	The 2008/09 Annual Internal Audit Report contains Internal Audit's Annual Opinion. This states that 'for the 12 months ended 31 March 2009, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of arrangements for governance, risk management and control is as follow: - Governance Green - Risk Mgt Amber - Control Amber.' 'We have assessed both the Risk Management and Control opinions as amber as a result of our risk maturity review identifying the Council as only Risk Defined and, in relation to the control opinion, the fact that a limited assurance opinion was provided in relation to arrangements for IT disaster recovery.'

Source of Assurance	Comment from Guidance	Assurance Obtained at SBDC
External Audit	External Audit are another potential source of assurance on the operation of internal controls although it should be noted that the audit reports / management letters will not cover the full range of activities and risks and that external auditors are not required to form an opinion on the effectiveness of the relevant body's corporate governance procedures or its risk and control procedures.	<p>The 2008/09 External Audit Interim Report has yet to be received. However to date External Audit have not raised any significant issues of concern with Management.</p> <p>In addition in December 2008 the Audit Commission issued its latest 'Use of Resources' assessment, which focuses on financial management but also links into the strategic management of the Council. The Authority was assessed as a 3 - consistently above minimum requirements - performing well.</p> <p>An objection was lodged against the 2007/08 Accounts, relating to the treatment of the Farnham Park Assets. This has resulted in greater clarity regarding how SBDC should manage and account for these assets.</p>
Other Review Agencies and Inspectorates	The system of internal control covers the whole of the authority's operations. Aspects of these operations are subject to independent external review and these reports also provide the body with relevant assurance.	The Food Standards Agency carried out an audit of the Food Safety Management Procedures and Performance in Sept 08. This found that practices were satisfactory and improving (see H&H Papers - 29 Jan 09 for further details).

## 9. Gaps in Control and Governance Assurances

- 9.1. This year there are three main area of concern as follows:
- 9.2. Business Continuity Planning - The overall SBDC Business Continuity Plan was not adopted until May 2009 and was therefore not in place during 2008/09. Further work is also ongoing in this area to ensure that there are robust service recovery plans for all areas.
- 9.3. Partnership Arrangements - The Authority has a Partnership Strategy and has started to undertake an annual review of each partnership. However there is a need to continue to enhance the partnership review arrangements.
- 9.4. Capacity - As a small Authority SBDC is reliant on key staff (eg ICT staff) and although to some extent this is unavoidable it does represent a risk. The Authority mitigates this risk by utilising joint working arrangements where appropriate and having documented policies and procedures.
- 9.5. It is suggested that there are no other significant issues to add but Members are requested to consider whether there are any other significant issues of concern and whether these issues need to be disclosed in the Annual Governance Statement.

**10. Annual Governance Statement**

- 10.1. A draft Annual Governance Statement is included as Appendix 4. Members are asked to review this and consider whether changes are needed.
- 10.2. The Chief Executive and Leader will be required to sign off the Annual Governance Statement prior to the accounts being published.

**11. Resource and Wider Policy Implications**

- 11.1. There are no direct financial, legal or human resource implications from this report.

**12. Recommendation**

- 12.1. Members are asked to:
- review the assurances detailed above,
  - consider whether there are any other significant gaps in control / assurance; and then
  - agree the wording of the Annual Governance Statement.

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Background Papers:	<ul style="list-style-type: none"> <li>• Compliance with CIPFA Code of Practice for Internal Audit Audit Committee 2 April 2007</li> <li>• Corporate Governance Review Audit Committee 13 December 2007</li> <li>• Annual Audit &amp; Inspection Letter 2007/08 Audit Committee 1 April 2009</li> <li>• Assessment of Standards of Conduct Report 2008/09 Audit Committee 1 April 2009</li> <li>• Internal Audit Annual Assurance Report 2008/09 Audit Committee 25 June 2009</li> </ul>

## Appendix 1a:

## Evidence to Support Meeting the Requirement to Establish Principal Statutory Obligations and Organisational Objectives (Step 1a)

<i>Requirement A - There is a mechanism established to identify principal statutory obligations.</i>		
Suggested measure	Evidence	
Responsibilities for statutory obligations are formally established.	The Authority's constitution sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.	✓
Record held of statutory obligations.	Service plans detail key statutory obligations in the key service aims and action plan sections.	✓
Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used.	Senior officers monitor legislative changes and take action as appropriate to take account of these changes (eg standards investigations).	✓
Effective action is taken where areas of non-compliance are found in either mechanism or legislation.	Officers take action as appropriate.	✓

<i>Requirement B - There is a mechanism in place to establish corporate objectives.</i>		
Suggested measure	Evidence	
Consultation with stakeholders on priorities and objectives.	The Authority works within the Local Strategic Partnership framework and has consulted on its priorities.	✓
The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	The Authority's aims and objectives were agreed by Cabinet on 16 October 2007 - as part of agreeing the Corporate Plan 2008-2018.	✓
Priorities and objectives are aligned to principal statutory obligations and relate to available funding.	The Authority's priorities encompass the organisation's statutory obligations and the Corporate Plan is set based on an understanding of the available resources.	✓
Objectives are reflected in departmental plans and are clearly matched with associated budgets.	Individual service plans are produced for each service area in line with the actions agreed in the Corporate Plan, and the budget implications of the actions are considered as part of the budget setting process.	✓
The Authority's objectives are clearly communicated to staff and to all stakeholders, including partners.	The Authority's objectives are cascaded to all staff via team meetings and are published in the annual Corporate Plan.	✓

<b>Requirement C - Effective corporate governance arrangements are embedded within the Authority.</b>		
Suggested measure	Evidence	
Code of corporate governance established.	The Authority adopted an updated code of corporate governance in 2007 - part of Constitution. The code is based on the CIPFA / SOLACE framework document for corporate governance in local authorities.	✓
Review and monitoring arrangements in place.	Officer and Member consideration of the Annual Governance Statement effectively covers this issue.	✓
Committee charged with Governance responsibilities.	The Audit Committee is charged with corporate governance responsibilities.	✓
Governance training provided to key officers and all members.	All staff have an induction which includes information about Governance eg the staff Code of Conduct etc. Training was provided as part of the induction process for Members following the Council elections in May 2007.	✓
Staff, public and other stakeholder awareness of corporate governance.	There is a growing awareness of corporate governance issues and the Statement of Corporate Governance is published in the Annual Statement of Accounts, which is available on the website. The Intranet also provides access for staff and members to key policies and statements.	✓

<b>Requirement D - Performance management arrangements are in place.</b>		
Suggested measure	Evidence	
Comprehensive and effective performance management systems operate routinely.	There is a clearly defined performance management framework within the organisation.	✓
Key performance indicators are established and monitored.	Key performance indicators are established and reported to Cabinet and Overview & Scrutiny on a regular basis.	✓
The authority knows how well it is performing against its planned outcomes.	Performance against all performance indicators and key service objectives are reported to Cabinet on a regular basis.	✓
Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes.	When drawing up service plans previous performance is considered as part of the Value for Money considerations. VFM profiles of all service are also drawn up each year.	✓
The authority continuously improves its performance management.	The Authority is continuing to develop and improve its performance driven culture.	✓

## Appendix 1b:

## Evidence to Support Applying the 6 CIPFA / SOLACE Core [Governance] Principles (Step 1b)

<i>Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.</i>		
The code should reflect the requirements for local authorities to	Evidence	
Develop and promoting the authority's purpose and vision	The Council with the LSP works to agree a Community Vision and Plan for the area. On an annual basis the Council reviews and updates its Corporate Plan which contains its vision and objectives for the future. The Council's vision and objectives underpin its service planning. The Council uses the Community Plan and its Corporate Plan to promote with its communities via its communications (website, South Bucks Report), what its vision and purpose is. The Council also uses the formal mechanisms of the Local Development Document Framework to set down its vision for the area through specifically the Core Strategy.	✓
Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements	Annual review and update of Corporate Plan with members. Periodic review of the Code of Corporate Governance.	✓
Ensure partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	Key strategic partnership identified. Guidance produced for officers and members on partnership working to underpin the Council's Partnership Strategy	✓
Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	Annual publication of information about the Council's corporate aims and objectives, recent performance and future targets. Abbreviated version included in South Bucks Report. Annual accounts and Statement of Assurance published.	✓
Decide how the quality of service for users is measured and make sure that the information needed to review service quality effectively and regularly is available	Value for money framework for the authority which is part of the service and financial planning process, incorporates information of service quality. This is drawn from various satisfaction surveys, customer consultations undertaken.	✓
Put in place effective arrangements to identify and deal with failure in service delivery	Performance monitoring provides warning of any service delivery problems. This prompts management action. As performance information is seen by members they are able to hold officers to account for improving performance The Council has a published complaints procedure to enable individuals to draw to its attention issues of service failure or deficiency.	✓
Decide how value of money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions	Value for money assessment according to a corporate process is part of the annual budget review process. Significant partnerships are identified and are reviewed by either Mgt T or O&S Cmm. Review done using framework produced by Audit Cmm	✓

<b><i>Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles</i></b>		
The code should reflect the requirements for local authorities to	Evidence	
Set out a clear statement of the respective roles and responsibilities of the executive and of executive members individually and the authority's approach to putting this into practice.	The Council's Constitution, Parts 3 & 4 define roles and responsibilities of the Executive.	✓
Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers	The Council's Constitution, Parts 2, 3 & 4 define roles and responsibilities of members and senior officers.	✓
Determine a scheme of delegation and reserve powers within the constitution including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of the relevant legislation and ensure that it is monitored and updated when required.	The Council's Constitution, Parts 2, 3 clearly define matters reserved for Council or Cabinet, and delegations made to specific members or senior officers.	✓
Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	In the Constitution Part 2 Article 10 defines responsibilities of the Chief Executive.	✓
Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	The Council's Constitution, Part 5, includes protocols on officer member relations including those of the C/Exec.	✓
Make a senior officer responsible to the authority for ensuring that appropriate advice is given on all financial matters for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	The Constitution Part 2, Article 10 makes specific the requirement to designate a Chief Finance Officer for the authority. This is the authority's s151 officer. The Chief Finance Officer is a member of the Management Team for the authority.	✓
Make a senior officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	The Constitution Part 2, Article 10 makes specific the requirement to designate a Monitoring Officer for the authority.	✓
Develop protocols to ensure effective communications between members and officers in their respective roles	The Council's Constitution, Part 5, includes protocols on officer member relations.	✓

The code should reflect the requirements for local authorities to	Evidence	
Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel	The council has an Independent Members Allowances Panel that reports annually to the Council. The Constitution specifies the responsibility of the Head of Paid service for determining the officer structure and grading The Authority has a Formal pay structure in place underpinned by an accredited job evaluation scheme.	✓
Ensure that effective mechanisms exist to monitor service delivery	Performance management arrangements are in place whereby targets are set in advance, built into service plans, and monitored regularly during the year. Service delivery and performance is reported regularly to members during the year.	✓
Ensure that the organisations vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other stakeholders, and that they are clearly articulated and disseminated.	The Council with the LSP work to agree a Community Vision and Plan for the area. On an annual basis the Council reviews and updates its Corporate Plan which contains its vision and objectives for the future. The vision and priorities of the Corporate Plan are disseminated to residents and partners	✓
When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Key strategic partnerships identified. Guidance produced for officers and members on partnership working to underpin the Council's Partnership Strategy	✓
When working in partnership - ensure that there is clarity about the legal status of the partnership - ensure that representation of organisations both understand and make clear to all other partners the extent of their authority to bind their organisations to partner decisions	Key strategic partnerships identified. Guidance produced for officers and members on partnership working to underpin the Council's Partnership Strategy	✓

<b>Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</b>		
The code should reflect the requirements for local authorities to	Evidence	
Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	The Council has adopted the national Code of Conduct for members and all members have been briefed on the Code.	✓
Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	Expectations of standards of conduct and behaviour by staff are made clear through a range of policies that staff are made aware of as part of induction processes and which they have easy access to through the intranet. These include: <ul style="list-style-type: none"> <li>• Anti -fraud and corruption policy</li> <li>• Dignity at work policy</li> <li>• Employees Code of Conduct</li> <li>• Protocols of officer and member relations</li> </ul> Performance appraisal processes exist to re-enforce how staff should act, and as a means to highlight and correct any deficiencies.	✓
Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practise.	The Council has adopted the national Code of Conduct for members and all members have been briefed on the Code, in particular the sections dealing with declaration of interests. Members complete annually Related Party Transaction forms. There is a public Register of Members' Personal Interests (including gifts) and it is Members' responsibility to update this within 28 days of any change. Officers are required to complete gift and hospitality forms	✓
Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners.	The Member and Employee Codes of Conduct which are part of the Council's Constitution promote shared values.	✓
Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practise.	The Code of Conduct for Employees sets the requirement to act and behave in an ethical manner. A Disciplinary procedure is in place to deal with breaches of the Code of Conduct.	✓
Develop and maintain an effective Standards Committee.	Standards Committee established and meets regularly. Produces an annual briefing letter that is circulated to all members.	✓
Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.	The Corporate Plan contains a statement of management principles that underpin the authority's actions.	✓
In pursuing the vision of a partnership agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	Key strategic partnerships identified. Guidance produced for officers and members on partnership working to underpin the Council's Partnership Strategy.	✓

<b>Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</b>		
The code should reflect the requirements for local authorities to	Evidence	
Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible.	O&S Cmm as established under the Constitution with terms of reference etc. The work undertaken by the O&S Cmm	✓
Develop and maintain open and effective mechanisms for documenting and recording the criteria rationale and considerations on which decisions are based.	Constitution specifies how decisions are to be published. Report writing guidance sets down framework to enable reasonable decisions to be taken and evidenced.	✓
Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practise.	Members and Employees Codes of Conduct Public register of members interests, including recording of gifts and hospitality	✓
Develop and maintain an effective audit committee which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Audit Cmm established under Constitution with terms of reference. Workplan and agendas evidence effective coverage of risk and control issues	✓
Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints.	General Complaints Procedure and Member Complaint Procedure and forms on website	✓
Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose - relevant, timely and give clear explanations of technical issues and their implications.	Report writing guidance for officers Member induction for Committees and other decision making bodies	✓
Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.	Report writing guidance Attendance of professional officers at meeting to advise members Decisions properly minuted and evidenced.	✓
Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.	Risk management Policy and Strategy Risk Management Guidance Risk Management Group Risk management is part of the competency framework for senior managers.	✓
Ensure that effective arrangements for whistle-blowing are in place to which officer, staff and all those contracting with or appointed by the authority have access.	Whistleblowing Policy for the Council	✓

The code should reflect the requirements for local authorities to	Evidence	
Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.	The Council has in place its Constitution, within which there is the requirement to have a Monitoring Officer	✓
Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.	Role of Monitoring Officer Report writing guidance emphasising need to seek legal advice on any new initiatives	✓
Observe all specific legislative requirements placed upon them, as well as the requirement of general law, and in particular to integrate the key principles of good administrative law, rationality, legality and natural justice, into their procedures and decision making processes.	The Council's Constitution Scheme of delegations, job specifications in place to ensure clear accountability of roles, and identification of competencies for roles.	✓

<i>Principle 5: Developing the capacity and capability of members and officers to be effective</i>		
The code should reflect the requirements for local authorities to	Evidence	
Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Induction programme for members, including training and briefing events. Formal induction process for all staff defined by Personnel. Training and development needs assessed as part of annual staff appraisal process	✓
Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Statutory officers have job descriptions and person specifications. Annual appraisal process identifies any training or development needs. Commitment to IIP accreditation.  However as a small Authority SBDC is reliant on key staff (eg ICT staff) and although to some extent this is unavoidable it does represent a risk.  (Potential issue for disclosure - Capacity.)	✓
Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	Training and development plans at individual and corporate levels following annual performance appraisals	✓
Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.	Member training and development requirement reviewed periodically Members encouraged to access members support resources provided online by IDeA or other similar bodies	✓
Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan to address training and development needs.	Performance management system in place with regular public reporting of information, clearly assigned to specific members and service areas. Overview & Scrutiny Committee review of Performance Management information. Overview & Scrutiny can call in executive decisions for review.	✓
Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.	LSP Citizens Panel, and various user groups. Surveys of customers and users	✓
Ensure that career structures are in place for members and officers to encourage participation and development	Performance appraisal process Commitment to IIP	✓

<i>Principle 6: Engage with local people and other stakeholders to ensure robust public accountability</i>		
The code should reflect the requirements for local authorities to	Evidence	
Make clear to themselves, all staff and the community to whom they are accountable and for what	The Council's Corporate Plan The Community Plan	✓
Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required.	The Council's Corporate Plan The Community Plan Work as part of the LSP	✓
Produce an annual report on the activity of the scrutiny function.	Annual report produced for O&S Cmm	✓
Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.	Communications & consultations policy	✓
Hold meetings in public unless there are good reasons for confidentiality	The Constitution Codes of Conducts for officers and members	✓
Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities for dealing with these competing demands.	Achieve by variety of means such as LSP, Area Committee, user group meetings Communications & consultations policy	✓
Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result.	Communications & consultations policy	✓
On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.	Corporate Plan	✓
Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	The Council's Constitution Communications & consultation policy	✓
Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	The Communications Policy Operation of the Personnel Committee	✓

## Appendix 2:

## Evidence to Support Meeting the Requirement to Identify Principal Risks to Achievement of Objectives (Step 2)

<i>Requirement - The Authority has robust systems and processes in place for the identification and management of strategic and operational risk</i>		
Suggested measure	Evidence	
There is a written strategy and policy in place for managing risk.	The Authority has a Risk Management Policy and Risk Management Strategy, which were last reviewed by the Audit Committee in September 2008.	✓
The authority has implemented clear structures and processes for risk management, which are successfully implemented.	An annual report on Risk Management is considered by the Audit Committee each year. Strategic risks are identified by Senior Officers and considered by both Overview & Scrutiny and Cabinet. Operational risks registers are maintained by each service and recorded on Covalent. The major budget / financial risks are identified as part of the annual budget setting process and included in the budget reports to Members.	✓
The authority has developed a corporate approach to the identification and evaluation of risk, which is understood by all staff.	There is a standard approach to risk management throughout the organisation and guidance on this is available to staff and members on the intranet.	✓
The authority has well defined procedures for recording and reporting risk.	There is a standard approach to risk management throughout the organisation and guidance on this is available to staff and members on the intranet.	✓
The authority has well established and clear arrangements for financing risk.	Risk financing is of limited relevance to SBDC. However where appropriate insurance cover is obtained to mitigate risks.	✓
The Authority has developed a programme of risk management training for relevant staff.	The Director of Resources holds regular risk review meetings with Managers, which include an element of support and coaching. Consideration of the organisations needs indicates that at present there is not a need for any more formal training on risk management.	✓
The corporate risk management board (or equivalent) adds value to the risk management process.	The Authority has a risk management group which helps guide and develop risk management issues.	✓
A Corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice.	SBDC does not have an officer dedicated to risk management work. Instead risk management is championed by the Director of Resources and risk management work is picked up by other officers on an ad hoc basis.	✓
Managers are accountable for managing their risks.	All risks are allocated to named officers and they are responsible for managing these.	✓

Suggested measure	Evidence	
Risk management is embedded throughout the authority.	Risk management has improved considerably over recent years and is now considered to be reasonably well embedded.	✓
Risks in partnership working are fully considered.	The Authority has a Partnership Strategy and an annual review of each partnership is undertaken. This annual review includes review of the partnership risks. However there is a need to continue to enhance the partnership review arrangements. (Potential issue for disclosure - Partnerships.)	Part
Where employed, risk management information systems meet users' needs.	The Covalent performance management system includes the risk registers and adequately meets the Council's current requirements.	✓

**Appendix 3:  
Evidence to Support Meeting the Requirement to Identify and Evaluate Key Controls to  
Manage Principal risks (Step 3)**

<i>Requirement - The Authority has a robust system of internal control which includes systems and procedures to mitigate principal risks</i>		
Suggested measure	Evidence	
There are written financial regulations.	The Authority has formal written Financial Procedure Rules.	✓
There are written contract standing orders.	The Authority has formal written Contract Procedure Rules.	✓
There is a whistle blowing policy.	The Authority has a Whistle Blowing Charter.	✓
There is a counter fraud and corruption policy.	The Authority has an Anti Fraud and Corruption Policy.	✓
There are codes of conduct in place.	There is a Member code of conduct. There is an employee code of conduct. Articles are included in Grapevine to remind members and officers about these.	✓
A register of interests is maintained.	A register of interests is maintained and regularly updated.	✓
Where a scheme of delegation has been drawn up, it has been approved and communicated to all relevant staff.	Delegated matters are detailed in the 'Responsibility for Functions' section of the Constitution, which is widely available.	✓
A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff.	The Authority's Procurement Strategy was updated in May 2008. It is available to staff and members on the intranet and online on the SBDC website.	✓
Business / service continuity plans have been drawn up for all critical service areas.	Full business / service continuity plans are currently being developed. (Potential issue for disclosure - Business Continuity Planning.)	Part
The corporate / departmental risk registers include expected key controls to manage principal risks.	The risk registers include key controls to manage risks.	✓
Key risk indicators have been drawn up to tract the movement of key risk and are regularly monitored.	Key risks are regularly monitored and reviewed but we do not generally set key risk indicators.	Part
The authority's internal control framework is subject to regular independent assessment.	Internal Audit regularly reviews the internal control framework.	✓
A corporate Health & Safety Policy has been drawn up.	The Authority has a formal Health & Safety Policy, which is available on the intranet.	✓
A corporate complaints policy / procedure has been drawn up.	The Authority has a formal general complaints Procedure as set out in its Customer Relations Procedure. There is also a Member complaint procedure and form on the website.	✓

## Appendix 4: Proposed Annual Governance Statement 2008/09

### 1) Scope of Responsibility

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

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

South Bucks District Council has approved and adopted a code of Corporate Governance, which is consistent with the principals of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Director of Resources. This statement explains how South Bucks District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

### 2) The Purpose of the Governance Framework

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

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

The governance framework has been in place at South Bucks District Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

### 3) The Governance Framework

South Bucks has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it developed and adopted a Code of Corporate Governance and a risk management strategy and the Director of Resources has been given responsibility for:

- overseeing the implementation and monitoring of the operation of the Code and risk management strategy;
- reviewing the operation of the Code and risk management strategy in practice; and
- ensuring that there is an effective internal audit function.

Bentley Jennison, our internal auditors, have been given the responsibility to review independently the status of the Authority's internal control arrangements and report to the Audit Committee, to provide assurance on the adequacy and effectiveness of internal control.

The system of internal control is based on a framework of regular management information, financial and contract procedure rules, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and is reviewed by internal and external audit. In particular the system includes:

- performance management framework and performance plans;
- regular performance monitoring;
- comprehensive budgeting systems;
- regular reviews of financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance; and
- clearly defined expenditure guidelines.

#### **4) Review of Effectiveness**

South Bucks District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

For 2008/09 this review has been undertaken by the Audit Committee and included carrying out:

- a review of internal audit;
- an assessment of the SBDC internal control framework against the CIPFA best practice checklist; and
- an assessment of the SBDC corporate governance framework against the CIPFA / SOLACE framework.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee, and plans are in place to address weaknesses and ensure continuous improvement of the system is in place.

#### **5) Significant Governance Issues**

We report that there are three control weaknesses that are still in the process of being addressed as follows.

- **Business Continuity Planning.** The overall SBDC Business Continuity Plan was not adopted until May 2009 and was therefore not in place during 2008/09. Further work is also ongoing in this area to ensure that there are robust service recovery plans for all areas.
- **Partnership Arrangements.** The Authority has a Partnership Strategy and has started to undertake an annual review of each partnership. However there is a need to continue to enhance the partnership review arrangements.
- **Capacity.** As a small Authority SBDC is reliant on key staff (eg ICT staff) and although to some extent this is unavoidable it does represent a risk. The Authority mitigates this risk by utilising joint working arrangements where appropriate and having documented policies and procedures.

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