



# Report to Audit and Governance Committee

**Date:** 18 November 2020

**Title:** BCC 19/20 Annual Governance Statement

**Author and/or contact officer:** Richard Ambrose, Director of Corporate Finance (S151) and Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)

**Ward(s) affected:** N/A

**Recommendations:** Members are recommended to **approve** the report.

**Reason for decision:** N/A

## Executive summary

- 1.1 This report contains the Buckinghamshire County Council Annual Governance Statement (AGS) for 2019/20. The AGS was produced by giving due consideration to the Council's sources of assurance on internal control and how it was structured in accordance with CIPFA guidance.
- 1.2 This is the final AGS for Buckinghamshire County Council as the organisation ceased to be in existence after 31 March 2020.
- 1.3 Once the Committee has approved the statement it will be signed by the S151 Officer and be published on the Buckinghamshire Council website with the Statement of Accounts.
- 1.4 The actions identified will be monitored and reported in line with the new Buckinghamshire Council's processes.

## Other options considered

- 1.5 N/A

## Legal and financial implications

- 1.6 N/A

## Corporate implications

1.7 None.

## Consultation and communication

1.8 None.

## Next steps and review

Actions to be followed up and reported to Audit and Governance Committee in approximately six months' time.

## Background papers



# **Annual Governance Statement - DRAFT 2019/20**



**November 2020**

## **Introduction**

We are responsible for making sure that our business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically and efficiently.

We also have a duty under the [Local Government Act 1999](#) to put in place proper arrangements for:

- the continuous improvement of our functions
- the governance of our affairs, including those of the Local Government Pension Scheme, which includes arrangements for the management of risk.

The Annual Governance Statement explains how the County Council has complied with the Governance Framework. It also meets the requirements of [Regulation 6 of the Accounts and Audit Regulations 2015](#) in relation to the publication of the statement of internal control.

## **Executive Summary**

The Annual Governance Statement (AGS) provides an account of the processes, systems and records which demonstrate assurance for the effectiveness of the framework of governance of the County Council's discharge of its responsibilities. This principally covers the period April 2019 to March 2020, as well as covering the period to November 2020, when the accounts are signed.

Buckinghamshire County Council (BCC) ceased to be a legal entity on 31 March 2020 and a single unitary council for Buckinghamshire was launched on 1 April 2020 replacing the county council and four district councils.

Each of the legacy councils has produced an AGS, and any actions will be followed up under the new Buckinghamshire Council's governance arrangements.

This AGS covers Buckinghamshire County Council's arrangements only.

## **Scope of Responsibility**

The County Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards and that public money was safeguarded, properly accounted for, and used economically and efficiently.

The County Council was also responsible for putting in place proper arrangements for the governance of its affairs (including as pension fund administrator), the effective exercise of its functions and the management of risk. The Council had approved and adopted a Constitution, and had several internal documents, which set out the corporate governance framework for the Council consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government".

This statement explains how the County Council complied with the Governance Framework and met the requirements of the Accounts and Audit Regulations 2015.

## How we demonstrate good governance



## **The purpose of the Governance Framework**

The governance framework comprises the systems and processes, culture and values by which the authority was directed and controlled and its activities through which it accounted to, engaged with and lead its communities. The framework enabled 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

The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It could not eliminate all risk of not achieving policies, aims and objectives and could therefore only provide a reasonable and not absolute assurance of effectiveness. The system of internal control was 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. BCC had the following arrangements in place regarding its key systems and processes which comprise the authority's governance framework:

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

The Strategic Plan 2017-2020 was focussed on delivery of three themes:

- Safeguarding our Vulnerable
- Creating Opportunities and Building Self Resilience
- Keeping Buckinghamshire Thriving and Attractive

The Strategic Plan provided the focus for the improvements and changes in service delivery that were being made in all areas of the Council. Underpinning the Strategic Plan were four Business Unit Plans which acted as action plans, bringing together budget, performance, and project and risk data under several objectives.

<https://www.buckscc.gov.uk/services/council-and-democracy/our-plans/our-strategic-plan/>

Policy and decision making was undertaken via a Leader and Cabinet Structure with Cabinet Member portfolios. All key policies were equality impact assessed. In addition to the Council and Cabinet, there were six standing committees and 19 established Local Area Forums/Local Community Partnerships. The local area forums/local community partnerships had 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 could raise issues of local concern and discuss these with their councillors. Every Committee report was subject to a review by the Director (Legal); the Council's Monitoring Officer; and, the Director of Finance and Procurement (\$151), to ensure that the Council was acting lawfully and that the risk implications of reports requiring a decision have been identified. Cross-organisation joint committees were established where it was appropriate.

The Council had a statutory Regulatory and Audit Committee which oversaw the regulatory and governance functions of the Council such as reviewing the work of the Business Assurance Team (including Internal Audit, Risk Management and Counter Fraud) and External Audit. This Committee were the custodians of the Council's Constitution and provided 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 provided overview to the financial reporting process. The Committee met five times during 2019/20 and sought to strengthen the assurance framework of the Council and received quarterly progress reports on internal control and risk management. There was a Risk Management Group which operated under the direction of the Committee, chaired by the Chairman of the Regulatory and Audit Committee and comprised of members of the Committee, the Chief Internal Auditor, S151 Officer and Monitoring Officer. This Group was responsible for monitoring and reviewing the adequacy and effectiveness of the risk management strategy and processes. The Group routinely reported to the Regulatory and Audit Committee.

The Council operated a Code of Conduct. The Regulatory and Audit Committee had the responsibility for ensuring that the Council continued to uphold high standards of behaviour and oversaw standards policy and strategy development and member training, while hearings relating to standards complaints were heard by members of the Appeal and Complaints Committee, that was formed as required from the group of members on the Regulatory and Audit Committee.

The Council operated 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.

The Council obtained stakeholder views through a number of different ways, as outlined on the public website, coordinated by Strategy and Policy. Stakeholder views were considered as part of standard reporting that underpins decision-making.

### **Monitoring of Performance and Compliance**

The Council had a duty to ensure that it acted in accordance with the law and various regulations, including European Commission Directives, in the performance of its functions. The Council had developed policies and procedures for its members and staff to ensure that, as far as possible, all understood their responsibilities both to the authority and the public. These procedures and policies were laid down in the Constitution, Standing Orders, Financial Regulations, Local Management in Schools Handbook and service procedure documentation.

The Council had adopted Codes of Conduct for its Members and staff and provided training in these areas as part of induction programmes. The Council's Monitoring Officer was responsible for monitoring and reporting on significant breaches of the Member code to the Regulatory and Audit Committee. Member training events were frequently held, and attendance was recorded. The Council's Anti-Fraud and Corruption Framework (which included whistle blowing) applied to all stakeholders and was reviewed annually by the Regulatory and Audit Committee.

A joint finance and performance monitoring report was discussed quarterly at Cabinet and monthly by the Corporate Management Team Budget Board. This also included the key financial risks identified by the Heads of Finance within each of the Business Units

The Council had a duty to manage its risks effectively. This was achieved through various mechanisms. The key corporate risks were reviewed on a quarterly basis by the CMT. Key financial risks were reviewed by the CMT Budget Board on a quarterly basis. The Risk Management Group considered significant service, contract and project risks to the authority, and reviewed the consistency with which the risk management process was being applied across the Council. The Chief Executive, via the Director of Finance and Procurement and the Chief Auditor, was responsible for Officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.

The Business Assurance Team included the Internal Audit Service and provided assurance to the Council and the Director of Finance and Procurement (S151 Officer) as to the adequacy of the Council's financial and operational systems.

The Internal Audit Annual Report will be presented to Buckinghamshire Council's Audit and Governance Committee on 18 November 2020. The Chief Auditor concluded providing reasonable assurance on the system of internal control be unqualified for 2018/19. The draft opinion for the 2019/20 system of internal control is likely to be unqualified, and this will be confirmed upon issue of the Annual Report.

There were two "limited assurance" reports issued by Internal Audit during the year to the date of this draft AGS, concluding that there were not the necessary controls in place to give assurance that the system's objectives will be met:

- K2 System
- Routewise System

There were five "partial assurance" reports issued by Internal Audit during the year to the date of this draft AGS, concluding that there was an inadequate level of internal control in place and/or controls are not being operated effectively and consistently:

- HR Income
- CHASC Budget Management
- Implementation of Medications Policy
- William Harding Combined School
- Deprivation of Liberty Safeguards (DoLS)

Actions plans were in place to address the issues raised by the audits and progress was tracked via Pentana, the audit action tracking system for reporting to Business Unit Boards and CMT on a regular basis.

Outstanding audit actions from the five legacy councils have been transferred to the new Buckinghamshire Council and will continue to be monitored and reported on under the new Internal Audit arrangements.



## **Financial Management of the Council**

The Council had a statutory responsibility under the Accounts and Audit Regulations 2015 for ensuring that the financial management arrangements were adequate and effective and that there was a sound system of internal control that facilitated the effective exercise of the Council's functions. The Director of Finance and Procurement had 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.

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. The Director of Finance and Procurement undertakes the role of the Chief Finance Officer, conforming with the governance requirements of the CIPFA statement as outlined below:

- The Director of Finance and Procurement was a member of the Corporate Management Team, helping it to develop and implement strategy and to resource and deliver the County Council's strategic objectives.
- The Director of Finance and Procurement was 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 Director of Finance and Procurement led the promotion and delivery by the County Council of good financial management so that public money was safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The Director of Finance and Procurement led and directed a finance function that was adequately resourced to be fit for purpose.
- The Director of Finance and Procurement was professionally qualified and suitably experienced.

The Council had a four-year medium-term financial strategy, under which it planned its finances. This was considered by the Cabinet and CMT and approved by the Council. The Council set annual revenue and capital budgets that were reviewed by the Finance, Performance and Resources Select Committee. Budgets were monitored throughout the year.

The Council had a set of Financial Regulations and Standing Orders which formed part of the Constitution. Executive Directors were required to maintain systems and processes within their Business Unit., ensure they kept accurate financial records, comply with the financial control framework and take timely actions to keep spend within budget. There was a Head of Finance within each Business Unit with responsibility for ensuring that financial management and financial control was operating effectively.

Under the management structures within each Business Unit, accountable to the Executive Directors, Service Directors/Managers had considerable responsibility with respect to finance. These responsibilities included maintaining a proper system of budgetary control, maximising income and ensuring grant claims were submitted on time and ensuring that adequate financial controls were in place. Each service operated a Scheme of Financial Delegation that set out the type and level of financial delegation given to named officers within the service. The Schemes of Financial Delegation were approved by the Executive Director and by the Director of Finance and Procurement (S151 Officer).

The Council's external auditors provided independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions. The external auditors also considered the Financial Management arrangements and provided an opinion on value for money systems.

A Scheme of Delegation that set out the powers delegated to officers, the Financial Regulations and Contract Standing Orders form part of the Constitution.

### **Procurement and Contract Management**

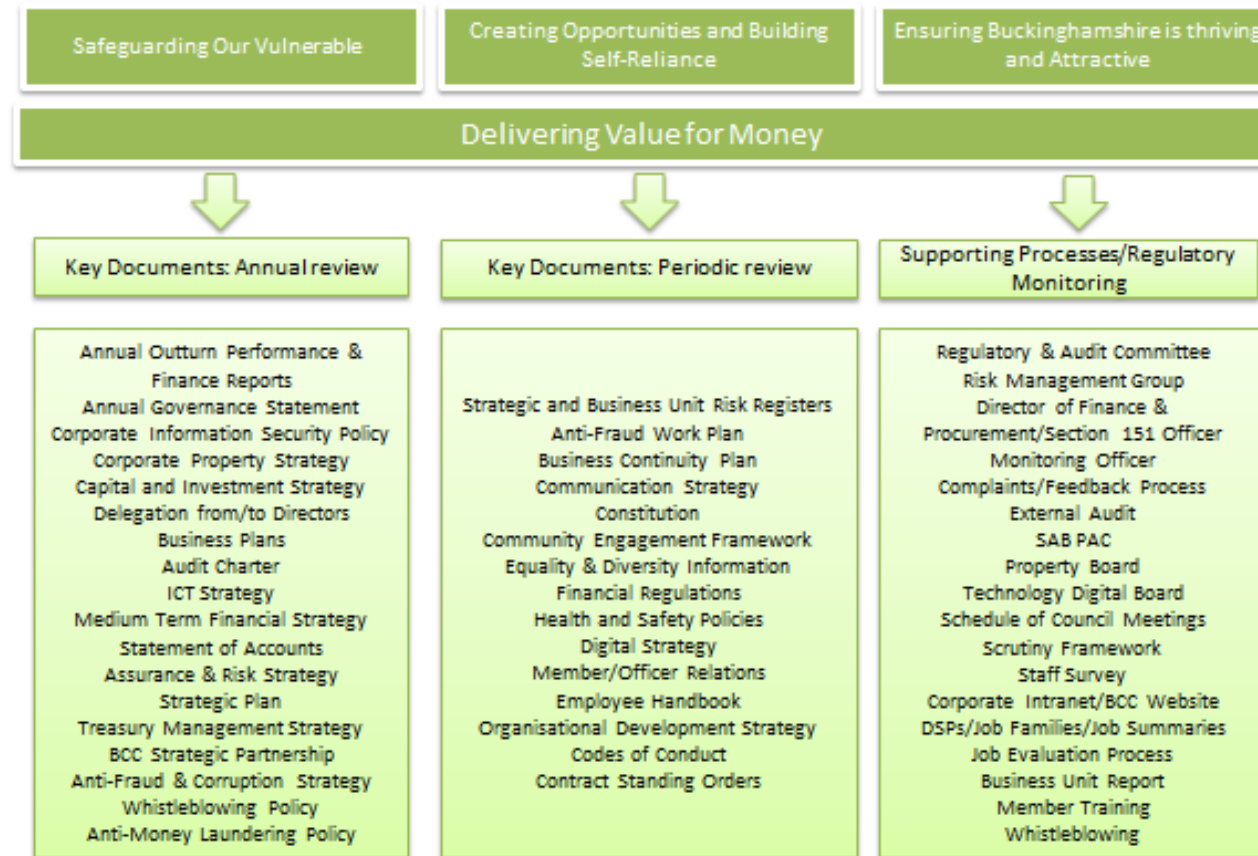
Corporate buy-in on the value of compliance on Procurement and Contract Management had continued to increase significantly. The roll out of both basic Procurement training and Contract Management training had been well received by officers to understand the significance of following procurement law and demonstrating that value for money had been achieved.

Compliance of entering contract details onto the Contract Management Application (CMA) system has also increased significantly, and Procurement had identified key champions within the Business Units to ensure data within CMA was as up to date and accurate as possible. These champions provided a level of assurance and ownership.

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

Service Managers were responsible for ensuring that they adopted the principles of continuous improvement and value for money. Heads of Finance in each Business Unit provided monitoring and scrutiny of the financial management processes. The Procurement Team worked with all Business Units to ensure purchasing decisions maximised the economic, effective and efficient use of resources.

## Buckinghamshire County Council Corporate Governance Framework



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

BCC had 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 was an on-going process, using outcomes from many of the procedures described above. All outcomes were considered by the officers responsible for developing the Annual Governance Statement.

The review which has been undertaken for the purposes of this statement has relied upon the work of the Chief Executive, Director of Finance and Procurement (S151 Officer), the Monitoring Officer, Professional Leads and the Business Assurance Team.

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

- Agreed our annual budget in accordance with the Council Plan priorities;
- Received the Treasury Management Strategy and an annual report;
- Approved the Capital and Investment Strategy; and
- Had agreed the Constitution that set out the decision-making structure, delegated authority and Financial Regulations which underpinned the internal control framework.

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

- Monitored performance against the Corporate Objectives;
- Made key decisions subject to inclusion on the forward plan; and
- Considered and reviewed budget monitoring reports on a quarterly basis.

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

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

##### **Select Committees:**

- Oversaw and scrutinised decisions made by the Cabinet.

##### **Pension Fund Committee:**

- Oversaw all matters relating to the BCC Pension Fund.

##### **Management Teams:**

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

##### **Internal Audit and Risk Management (Business Assurance Team):**

- Provided objective and independent assurance to the Council on operational and financial controls via delivery of an agreed audit plan; and

- Where identified as a result of audit work, significant internal control weaknesses had been reported to Executive Directors and Service Directors at the conclusion of each audit. A quarterly report of significant findings was made to the Regulatory and Audit Committee.

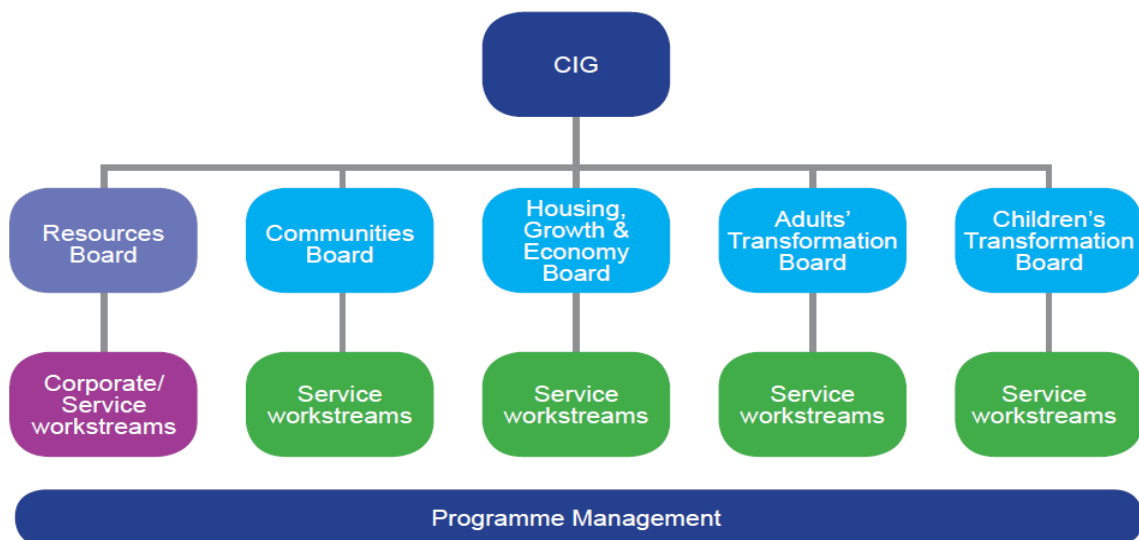
**External Audit and Inspectorates:**

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

**5. Unitary Transition**

Following the Secretary of State’s announcement on 1 November 2018 that there would be the establishment of a single unitary council for Buckinghamshire, the Chief Executives across the five councils had agreed the unitary programme structure to oversee the creation of the new council by 1 April 2020.

The programme was led by the Chief Executive’s Implementation Group (CIG) and managed through a series of boards overseeing the workstreams responsible for the programme delivery (see below). The implementation of Buckinghamshire Council was overseen by the Shadow Authority, consisting of 202 councillors. Its key responsibilities included setting a budget for the new Buckinghamshire Council and appointing members to committees.



Buckinghamshire Council was launched on 1 April 2020, and a number of transformation projects have continued under the new structure.

## **6. Significant governance issues**

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 2019/20 including the outcome of the actions set out in last year's AGS. The 2019/20 AGS Action Plan is set out in appendix 1:

### **Coronavirus (Covid-19)**

Whilst the coronavirus is not a specific governance issue, the impact of this national crisis does need to be noted. The full financial impact of Coronavirus across financial years is not likely to be completely clear for some time yet and is currently being closely monitored, including via regular returns to Government.

The country entered "lock-down" during the last week in March which resulted in a swift change in the ways of working with the majority of staff working from home. This created an immediate risk to the network and security of data, however this was well managed by the Technology Services team, and the network stood up to the sudden increase in demand for remote working.

### **Children's Services**

The OFSTED report published in January 2018 rated Children's Services as 'inadequate' overall despite acknowledging a number of improvements since the previous inspection. A monitoring visit was carried out in October 2019 and the [report](#) published in December 2019 which confirmed the continuation of improvements but identified continued poor practice in some areas.

A robust improvement programme is in place.

### **Integrated Transport**

A number of significant weaknesses were identified in the management and delivery of the Integrated Transport service during Q2 and Q3 of 2019. Internal Audit reports were issued highlighting the key areas of concern which included a lack of management oversight of key processes; single points of failure; poor data quality and a lack of critical communication with stakeholders. A new Corporate Director was appointed in November 2019, and new Service Director in January 2020, following which significant changes and improvements have been made.

## **2018/19 AGS Action Plan**

Significant progress had been made to address the weaknesses identified in the 2018/19 AGS. The updates are provided in Appendix 2.

### **Declaration**

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 systems is in place in the new Buckinghamshire Council.

**Appendix 1 – 2019/20 AGS ACTION PLAN**

| Governance Issue     | Action to be taken  | Responsible Officer                         | Timescale  |
|----------------------|---|---|--|
| Covid-19             | Continued monitoring and reporting of financial impact of Covid-19 and identification of mitigating actions to address. Robust scrutiny over the Lost Income Compensation Scheme claim.   | Service Director – Corporate Finance (S151) | Update to be provided in January 2020. Monthly reporting to CMT Budget Board   |
| Children’s Services  | The current Improvement Plan, dated October 2020, demonstrates that the service has sustained improvements achieved to date. This is in a background of continued upward demand in both the volume and complexity of casework as a direct consequence of Covid-19. The service has maintained grip and control of performance through weekly reporting on management oversight and virtual contact by team. | Corporate Director of Children’s Services   | Update to be provided January 2020 (specific timescales detailed in the Children’s Improvement Programme Action Plan)          |
| Integrated Transport | A detailed improvement plan with clear actions (including owner and target date) is in place and is managed through the Integrated Transport Improvement Group. Progress is reported on a monthly basis to the Strategic Board, which is chaired by the Corporate Director and attended by key stakeholders including the Cabinet Member.   | Service Director – Transport Services       | Update to be provided January 2020 (specific timescales detailed in the Integrated Transport Improvement Programme Action Log) |



**Appendix 2 – 2018/19 AGS ACTION PLAN**

| Governance Issue                      | Action to be taken   | Responsible Officer                       | Update October 2020             |
|---------------------------------------|--|---|---------------------------------|
| Commissioning and Contract Management | Continue to implement the Supplier Relationship Management improvement programme to improve the robustness and consistency of commissioning and contract management practices across the organisation.   | Supplier Relationship Manager             | Complete.                       |
| Children's Services                   | <p>The latest version of the improvement plan presented to the Improvement Board in April 2019.</p> <p>The successful implementation of this plan relies on effective and competent first line managers as this tier is critical to achieving and maintaining good standards of social work practice. The Senior Management Team will provide support and guidance to managers to improve outcomes for children and young people. It is acknowledged that in order to embed and sustain change, staff will require the right balance of performance management and support. The plan will be under regular review to ensure that progress is tracked, and actions are further expanded where it is necessary</p> | Executive Director of Children's Services | Action included in 2019/20 AGS. |
| Technology Services                   | Continue to implement the IT Improvement Programme to address the weaknesses identified during the Chief Information Officer's review.   | Chief Information Officer                 | Complete.                       |