

Report of the Assistant Director Finance and Procurement to the meeting of the Governance and Audit Committee on Thursday 28 June 2018

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Subject: Annual Governance Statement 2017-18

Summary statement:

This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2017-18 to accompany the Council's Statement of Accounts.

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Portfolio:

Corporate
Overview and Scrutiny Area:

Corporate



1.0 Summary

- 1.1 This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2017-18 to accompany the Council's Statement of Accounts.

2.0 Background

- 2.1 In order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015 the Council must prepare an annual governance statement which must be approved either by a committee or by members of the authority meeting as a whole. In Bradford the Annual Governance Statement is approved by the Governance and Audit Committee in accordance with the guidance contained in the CIPFA/Solace framework 'Delivering Good Governance in Local Government'.
- 2.2 CIPFA/SOLACE issued a revised framework and guidance in April 2016 for the assessment of governance arrangements. The new guidance is applicable to annual governance statements prepared for the financial year 2017/18.
- 2.3 The Statement must be approved by Members and signed by the Chief Executive and a Leading Member.
- 2.4 The Annual Governance Statement includes an annual review of the Council's internal control environment.
- 2.5 The Annual Governance Statement is not part of the Statement of Accounts but "accompanies" the Accounts, although in practice Authorities have discretion to publish the documents separately or together.

3.0 The Annual Review

- 3.1 The Annual Review is undertaken against the principles contained in the CIPFA/Solace framework – Delivering Good Governance in Local Government. The Council is required to consider the effectiveness of its current arrangements and:
- Assess the extent to which it complies with the principles and requirements of good governance.
 - Identify systems, processes and documentation that provide evidence of compliance.
 - Identify and ensure individuals and committees hold responsibility for governance arrangements and their continuing application and effectiveness.
 - Identify issues that have not been addressed adequately and any planned changes required in the future.
 - Prepare an action plan, identifying any individuals responsible for taking any changes forward.
- 3.2 The Annual Review is undertaken by the Assistant Director – Finance and Procurement as S151 Officer. In conducting the review, reliance is placed upon six main sources of evidence:-

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- The Constitution of the Council.
 - The adequacy of management actions in relation to key risks as identified in the corporate risk register.
 - Evidence from the regular monitoring and reporting to the Executive and Scrutiny Committees on performance, risk and finance issues.
 - Key Control and fraud risk self assessments supporting written confirmation from Strategic Directors that all reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations.
 - The reports of Internal Audit.
 - External Audit and other external inspection agencies.

External Audit in particular provides the Council with an independent assessment of the way in which the Council conducts its business, safeguards and properly accounts for public money. It reports regularly to Members of the Governance and Audit Committee.

- 3.3 On the 12th December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. An exercise has now taken place to identify how the Council complies with its new code and any assurances that can evidence this position. This review has identified a number of improvements that can be made to Council systems which will strengthen the Council's approach. The review did however highlight high levels of compliance across all the core principles of the code. The commentary below details the work that will be undertaken in 2018/19 to deliver any improvements.
- 3.4 Engagement with stakeholders and consultation remains a priority for the Council. There will be further development around the "People Can" initiative, reviewing the citizen panel and ensure that the consultation quality assurance toolkit is embedded in services.
- 3.5 Further development of partnership and collaboration with health care providers will continue, enhancing the Bradford District Partnership's connectivity and collaboration. The Council will look to develop partnership architecture to collect, share and analyse data.
- 3.6 Refreshment of the Council Plan in 2019/20 will look to facilitate improved performance reporting on outcomes to members whilst there will be a systematic review of Equality Impact Assessments.
- 3.7 The Council is working on ensuring all risk management is scored, recorded and managed in a consistent way which will be used to develop the Internal Audit plan. Refreshed procurement training including developing end to end contract management skills will be rolled out during 2018/19. The anti bribery and corruption policy and the anti money laundering policy are both currently under review.
- 3.8 There will be the further integration of finance and performance reporting via the use of Power BI software. There will be consideration of value for money reviews as part of the Council Plan Transformation Program.

4.0 Conclusion of the Annual Review for 2017-18

- 4.1 The Annual Review has confirmed that the Council has arrangements in place that provide a sound governance framework and system of internal control.
- 4.2 The overall governance arrangements are represented by the Constitution of the Council, associated detailed procedures and codes of practice which are reviewed annually by the Governance and Audit Committee.
- 4.3 The overall adequacy and effectiveness of the Council's internal control environment is reviewed on a continual basis by Internal Audit. Monitoring reports throughout the year have examined the controls in operation and whether they are working effectively in any year. A number of operational internal control issues are identified. These are addressed through a series of recommendations agreed by senior management and subsequently implemented.
- 4.4 External Audit undertakes a programme of work during the year covering areas such as value for money and internal control. Details are contained within the Audit Strategy Memorandum, regular progress reports and the publication of the Audit Completion Report. The results of this work have been taken into account when determining the measure of risk to the Council.
- 4.5 Action plans for improvement are devised and implemented in response to External Audit recommendations.
- 4.6 The Council adopts a process of risk management and departmental and corporate risk registers are maintained.

5. 2017-18 Specific Governance Issues

- 5.1 A number of governance challenges previously recognised by the Council have been resolved or progressed during the year. These are explored in greater depth in the accompanying Annual Governance Statement, presented in full at Appendix 1.

6. The following new or continuing governance challenges have been identified from the annual review -

- 6.1 The Council reviews the governance arrangements of its major risks through reports either to Council, the Executive, Governance and Audit Committee, Standards Committee and Scrutiny arrangements. This occurs on a continuing basis. The Council will focus on the following risks in 2018/19, a number of which have been identified in the forward plans and work objectives of the respective committees. There are four new areas for further review in 2018/19.
- 6.2 The Council will need to make further progress on the Local Government Association Peer Review improvements and the decisions of the Council's Outcome Boards.
- 6.3 Ensure the new consultation toolkit for the quality assurance of consultation processes is embedded in services.
- 6.4 The adoption of the General Data Protection Regulations across the Council.

6.5 During January 2018, the Council's Internal Audit function was peer reviewed by colleagues from Doncaster Council to assess compliance with the Public Sector Internal Audit Standards (PSIAS). The review found that the Internal Audit service was rated as 'partially conforms' against the standards and provided the Council with 15 recommended actions for improvement.

7.0 Arrangements with the West Yorkshire Pension Fund

7.1 The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management.
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management.
- Risks are monitored and MAPs reassessed regularly.
- Risk management is reviewed quarterly.
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2018.

8.0 Financial and Resources appraisal

8.1 There are no direct financial implications arising from this report. However, any governance issues arising now or in the future which need further strengthening will require appropriate action to be taken. Officer time will be required to formulate action plans and put into place the appropriate corrective arrangements to strengthen the governance framework.

9.0 Risk Management and Governance Issues

9.1 Risk management issues are referred to in the report and annual governance statement where appropriate.

10.0 Legal Appraisal

10.1 With effect from 2007/08 the CIPFA/Solace framework 'Delivering Good Governance in Local Government', revised in 2016, defines proper practices for the production of a governance statement that meets the requirements of the Accounts and Audit Regulations 2015. The annual governance statement presented in Appendix 1 follows the revised framework and guidance.

The Annual Governance Statement must be signed by the Chief Executive and a leading member.

11.0 Other Implications**11.1 Equality & Diversity**

There are no direct equal rights implications.

11.2 Sustainability Implications

There are no direct sustainability implications.

11.3 Greenhouse Gas Emissions Impacts

None

11.4 Community Safety Implications

There are no direct community safety implications.

11.5 Human Rights Act

There are no direct human rights implications.

11.6 Trade Union

There are no direct trade union implications.

11.7 Ward Implications

None

11.8 Implications for Corporate Parenting

None

11.9 Issues Arising from Privacy Impact Assessment

None

12.0 Not for publication documents –

None

13.0 Recommendations

- 13.1 That the Governance and Audit Committee authorise the Leader of the Council and the Chief Executive to sign the document, on behalf of the Council, to accompany the Statement of Accounts 2017-18.

14.0 Appendix 1: Annual Governance Statement 2017-18**15.0 Background documents**

Accounts and Audit Regulations 2015

CIPFA/Solace Delivering Good Governance in Local Government Framework 2016

Statement of Accounts

ANNUAL GOVERNANCE STATEMENT 2017-18

1. Scope and Purpose

1.1 Scope of Responsibility

The City of Bradford Metropolitan 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, properly accounted for, and used economically, efficiently and effectively. It 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.

In discharging its overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, as well as arrangements for the management of risk.

1.2 The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council and its partners are directed and controlled and those activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework has continued in place at the Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts. Whilst supporting the Council's arrangements for risk management, it cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2. The Governance Framework.

The systems and processes that comprise the Council's governance consist of the following key elements:

2.1 Code of Corporate Governance.

The Council has undertaken a comprehensive revision of its Code of Corporate Governance in line with the seven core principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" –

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Evidence supporting compliance with the new Code has been gathered from departments and top management. Further actions have been identified to reinforce compliance particularly in respect of stakeholder engagement, sustainability and risk management.

2.2 The Constitution of the Council

The Constitution, reviewed at Annual Council, provides the framework within which the Executive takes decisions in discharge of the Council's functions, subject to the examination of a number of Overview and Scrutiny Committees. The Executive is collectively responsible for the decisions it makes and its decision making arrangements are designed to be open, transparent and accountable to local people.

3. Review of Effectiveness

The 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 executive managers within the Council who have responsibility for the development and maintenance of the governance environment. Confirmations have been obtained from Strategic Directors and the Chief Executive that reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations. They have been asked to confirm that risk management is embedded in their departments, provide a fraud risk assessment and to report, on a three year rolling programme, the level of compliance with key controls that are set out in the Key Control Booklets.

The Council has in place a Governance and Audit Committee, independent of the Executive, to strengthen and consolidate its governance arrangements and provide the core functions as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities".

The review is informed also by the work of the Internal Audit section which covers both the Council and the West Yorkshire Pension Fund. The key areas of assurance relate to the work detailed in their monitoring reports on the Council's control environment which are provided at regular intervals to Governance and Audit Committee. The Head of Internal Audit is required to deliver an Annual Internal Audit Opinion and report regularly to the Governance and Audit Committee as prescribed by Public Sector Internal Audit Standards. A number of operational control issues have been identified from this and action is being taken to put improvements in place.

Action plans for improvement are devised and implemented in response to recommendations from External Audit and other statutory agencies and inspectors.

The Council liaises fully and promptly with the Local Government Ombudsman's enquiries into complaints against the Council.

The Council liaises closely with the Information Commissioner's Office in reporting and disclosing information security risks and incidents, and to ensure it discharges fully its duties under Data Protection legislation and policies.

4. Significant governance issues

The annual review has established that the Council has arrangements in place which provide a sound governance framework and system of internal control.

However the Council is not complacent and seeks to continually improve the arrangements it has in place. Whilst recognising improvements to date, the emphasis going forward is to address identified issues and put in place an improvement plan to address known areas of concern. The Governance and Audit Committee will be kept informed of progress.

In the 2016/17 Annual Governance Statement a number of specific risks were identified that have been monitored through the year. Progress on these was reported to the Governance and Audit Committee in a detailed public report on the 25th January 2018. The following sections give a brief update on these risks. Whilst some of these risks have been mitigated during the 2017/18 financial year a number of risks are continuing to be monitored and remain high profile in 2018/19. A number of new governance challenges have also been recognised through the year.

5. Governance challenges previously recognised for which monitoring arrangements and adaptations of the governance framework are now complete.

A number of governance issues which were featured in the 2016/17 Annual Governance Statement as being of concern in the year have been monitored and whilst there may be on-going issues around them these are not of a specifically governance nature. The challenges listed below will not be monitored in 2018/19 from this perspective.

- Establishing sound governance structures pertaining to the West Yorkshire Combined Authority.
- Impact on governance structures arising from developing policies for the delivery of regional devolution.
- Implications of the European Union referendum.
- Handling of objections or resistance to the implementation of decisions already taken, typically through the budget process.

6. Governance challenges previously recognised which require continuing review in 2018/19

6.1 Safeguarding Vulnerable Children

Demand levels for social care continue to rise and there are now over 1000 Looked After Children. This is putting pressure on social work delivery exacerbated by difficulties in recruiting good agency staff. A recruitment plan is in place, but there are

short term challenges in finding staff of the required quality. Political scrutiny remains rigorous and the Bradford Children Safeguarding Board has continued to monitor the safeguarding arrangements. External challenge is being provided through a mock inspection from an ex HMI, and an audit centre and a number of actions have arisen from this.

6.2 Ensuring an effective, integrated system of health and social care

“Section 75” arrangements are in place for management of the Better Care Fund and other aspects of joint health and care commissioning. These arrangements are managed via the Executive Commissioning Board, reporting to the Health and Wellbeing Board.

Integrated care delivery, via locality models, is being developed through two health and care partnerships for Airedale, Wharfedale and Craven, and for Bradford, with active participation by local authority teams. Arrangements are supported by partnership agreements reviewed and refreshed in April 2018. These are aligned with regional developments via Integration and Change Board which also reports to the Health and Wellbeing Board.

The approach to health and care system governance has been endorsed by CQC local, place based review in March 2018.

6.3 Procurement Arrangements

A number of procurement issues occurred through the year which had to be investigated and the impact of them assessed. Training for Senior Leadership Team has been carried out and a training and awareness development programme for managers has been created that will be rolled out during 2018/19.

6.4 Maintenance of Council Core Systems

The implementation of the budgetary reductions and the need to protect front line services has led to the Council finding it more difficult to resource and update some of the Council’s management systems such as risk and health and safety. Whilst improvements have been implemented securing compliance across the Council remains a challenge.

Human Resources, through the Occupational Safety Section, continue to review, update and improve safety management processes. A review of the service to closer align activity and resource with corporate objectives is nearly concluded and will result in changes to roles. The new electronic accident reporting system is now embedded and the data from this is being increasingly used to identify trends and actions required to minimise risks. A new Health and Safety Review process is currently being piloted to allow managers to assess compliance with health and safety requirements and to identify areas where further action is needed. Regular update reports are provided to CMT on Health and Safety to keep top management apprised of the effectiveness of the organisation’s safety management and to ask for decisions on key issues.

Further work on risk management has continued which has seen a refresh of the risk coordinator network, a risk reporting timetable established for the Council Management Team and consolidation of the departmental risk registers.

7. New 2018/19 Governance Challenges

The new governance challenges detailed below will be reviewed through the 2018/19 financial year and progress against them will be reported to the Governance and Audit Committee.

- 7.1 The Council will need to make further progress on the Local Government Peer Review improvements and the decisions of the Council's Outcome Boards.
- 7.2 Ensure the new consultation toolkit for the quality assurance of consultation processes is embedded in services.
- 7.3 The adoption of the General Data Protection Regulations across the Council.
- 7.4 During January 2018, the Council's Internal Audit function was peer reviewed by colleagues from Doncaster Council to assess compliance with the Public Sector Internal Audit Standards (PSIAS). The review found that the Internal Audit service was rated as 'partially conforms' against the standards and provided the Council with fifteen recommended actions for improvement.

8. West Yorkshire Pension Fund

The Council is the administering authority for the West Yorkshire Pension Fund (WYPF). The WYPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the LGPS 2008.

The Governance and Audit Committee has legal and strategic responsibility for the WYPF. The Council has established three bodies to assist and support the Governance & Audit Committee oversee the WYPF:

- the WYPF Investment Advisory Panel and
- the WYPF Joint Advisory Group
- the WYPF Pension Board

The WYPF Investment Advisory Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity. In this capacity, the Panel is responsible for formulating the broad future policy for investment. A Chief Finance Officer from one of the West Yorkshire District Councils sits on the Panel on a two year rotational basis.

The WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group approves the budget estimates for the pensions administration and

investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

The WYPF Pension Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:

- securing compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS;
- securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator;
- any other such matters as the LGPS regulations may specify.

The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management.
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management.
- Risks are monitored and MAPs reassessed regularly.
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2018.

9. Statement

We are satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing. Over the coming year we propose to take steps to address the challenges identified above 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 and operation as part of our next annual review.

Signed:

Councillor Susan Hinchcliffe, Leader of Council

Signed:

Kersten England, Chief Executive