

Report of the Director of Finance to the meeting of the Governance and Audit Committee on Friday 28 June 2019

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Subject: Annual Governance Statement 2018-19

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 2018-19 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 2018-19 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 2018/19.
- 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 Director of Finance as S151 Officer. In conducting the review, reliance is placed upon six main sources of evidence:-
- The Constitution of the Council

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- 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 took place in 2018 on how the Council complied with its new code and any assurances that can evidence this position. This exercise was updated in April 2019 to support the AGS for 2018/19.

4.0 Conclusion of the Annual Review for 2018-19

- 4.1 The outcome of the review of effectiveness provided the necessary assurance and no significant issues were identified, with the exception of the need to continue to improve Children's Safeguarding services.
- 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. Specific Governance Issues

- 5.1 A number of governance challenges previously recognised by the Council have been resolved or progressed during 2018/19. This included the LGA Peer Review, the Council's Consultation processes, the Internal Audit Peer Review, Procurement arrangements and council core systems. These are explored in greater depth in the accompanying Annual Governance Statement, presented in full at Appendix 1.
- 5.2 There are three governance issues concerning the Ofsted review, the integration of health and social care systems and the adoption of the General Data Protection Regulations, which were highlighted in 2018/19 and will continue to be monitored in 2019/20. There were no new governance issues raised for 2019/20 which had not been previously identified.

6.0 Arrangements with the West Yorkshire Pension Fund

- 6.1 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 2019.

7.0 Financial and Resources appraisal

- 7.1 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.

8.0 Risk Management and Governance Issues

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

9.0 Legal Appraisal

- 9.1 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.

10.0 Other Implications

10.1 Equality & Diversity

There are no direct equal rights implications

10.2 Sustainability Implications

There are no direct sustainability implications

10.3 Greenhouse Gas Emissions Impacts

None

10.4 Community Safety Implications

There are no direct community safety implications

10.5 Human Rights Act

There are no direct human rights implications.

10.6 Trade Union

There are no direct trade union implications

10.7 Ward Implications

None

10.8 Implications for Corporate Parenting

None

10.9 Issues Arising from Privacy Impact Assessment

None

11.0 Not for publication documents –

None

12.0 Recommendations

12.1 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 2018-19.

13.0 Appendix 1: Annual Governance Statement 2018-19

14.0 Background documents

Accounts and Audit Regulations 2015

CIPFA/Solace Delivering Good Governance in Local Government Framework 2016

Statement of Accounts

DRAFT ANNUAL GOVERNANCE STATEMENT 2018-19

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 2019 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's Code of Corporate Governance adopts 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

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- 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.

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.

In December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. An exercise took place in 2018 on how the Council complied with its new code and any assurances that can evidence this position. This exercise was updated in April 2019 to support the AGS for 2018/19.

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. Whilst a number of operational control issues have been identified the overall Internal Audit Annual Opinion is unqualified.

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 the Data Protection Act 2019.

The outcome of the review of effectiveness provided the necessary assurance and no significant issues were identified, with the exception of the need to continue to improve Children's Safeguarding services.

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 2017/18 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 24th January 2019. The following sections give a brief update on these risks. Whilst some of these risks have been mitigated during the 2018/19 financial year, three risks are continuing to be monitored and remain high profile in 2019/20. No new governance challenges have 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 2017/18 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 outlined below will not be monitored in 2019/20 from this perspective.

5.1 Procurement Arrangements

Service compliance with Contracts Standing Orders, procurement processes and procedures are monitored and challenged by the Procurement Service. Instances of non compliance are logged and reported to the Director of Finance and management. Supplier payment processes and procedures are now closely monitored across all Council service areas and cross referenced to procurement procedures and contract records; non-compliant requests are logged and reported to the Director of Finance. A review of satellite ordering systems has been carried out to increase central controls and visibility. Focussed training for all staff affected by the identified procurement

issues was delivered, with on-going Officer and Member training identified as key activities in the (currently draft) Procurement Strategy.

5.2 Maintenance of Council Core Systems

With regard to the “Maintenance of Council Core Systems”, the challenge relating to health and safety working processes can now be considered to be managed by current operations and procedures and are therefore concluded in respect of any further adaptations of the governance framework.

A number of actions have taken place that has further progressed risk management across the authority. Both CMT and the Council’s Executive receive quarterly updates on the Council’s Strategic Risks through the Council’s Finance and Performance reports. Risk registers have been established and updated for all Departments. There have been two meetings of the Risk Co-ordinators group. A revised Risk Strategy has been drafted and will be considered by CMT and the Executive in the summer. An internal audit completed on the Council’s Strategic Risk Register assessed the control arrangements as good.

5.3 Local Government Peer Review

Work has taken place to ensure that improvement in the council is subject to rigorous challenge whilst providing support to colleagues. There is an established governance structure at CMT and Outcome Board Level to monitor and report on progress against the Transformation Programmes outlined in the Council Plan Delivery Programme.

5.4 New Consultation Toolkit

In 2017/2018, Bradford’s consultation toolkit was developed and launched and promoted with training across the Council, in tandem with the more detailed Local Government Association New Conversations Guide. This provided services with a thorough and detailed resource on which to base their engagement activity. In early 2019 the LGA updated their guide, providing a timely opportunity for Bradford to amend it’s own guidance to reflect the changes. This work is taking place during Autumn 2019 and will include a review of departmental consultation/engagement champions to ensure they are active in supporting their services. Legislative advice continues to be provided by the Council’s Legal Services team as required.

5.5 Internal Audit Peer Review

An update of the progress against the 2018 Quality Assurance Improvement Plan (QAIP) was completed during the financial year end. All the significant improvements required of Internal Audit have been achieved including the recruitment of four senior Auditors, the approval of a new Internal Audit Charter and maintaining the independence of the Head of Internal Audit. There are a number of issues that need to be finalised which have been included in the 2019/20 QAIP. The most significant issue being the need to obtain an ICT audit capability, which is underway with the preparation of a needs assessment.

6. Governance challenges previously recognised which require continuing review in 2019/20

6.1 Safeguarding Vulnerable Children

Demand levels for social care continue to rise and there are now over 1400 Looked After Children. There has also been a significant rise in the number of children on child protection plans. This is putting pressure on social work delivery. Further recruitment of social workers is underway, but there is significant competition for experienced social workers and retention remains an issue which is being closely monitored. A regular workload report is shared with Children's Overview and Scrutiny and Bradford Children Safeguarding Board has continued to monitor the safeguarding arrangements. Following the October 2018 Ofsted inspection report an Improvement Board with an independent chair has been established and a detailed improvement plan has been shared with Ofsted. Regular Monitoring visits will happen every three months. The first such visit took place in March, focussing on the front door arrangements where some progress was noted. A second monitoring visit is scheduled for June.

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

Work continues to take place to strengthen the governance arrangements within the Health and Social Care System. This includes approving the CQC Action Plan and the Memorandum of Understanding for the West Yorkshire and Harrogate Health and Care Partnership. Council officers are engaged in the design of a new strategic partnership agreement that will be presented to the Executive in Spring 2019. The Section 75 agreement between the Council and NHS will be renewed (legal input has been agreed) during 2019. Work has started on the establishment of a formal Health and Social Care Economic Partnership Board. Consultants to support the set up will be identified by the end of December with the aim to have the new Board in place by summer 2020. Health and Wellbeing Board has agreed the development of Logic Models that summarise how the system will monitor the impact of its collective interventions – aligned to high level plans strategies. The Integrated Care Board (ICB) has agreed to use the current planning round to refocus investment in accordance with the shared Happy Healthy at Home plan. This will mean a greater focus on prevention, rather than investing equally in all portfolios and will require a shared approach to the engagement of regulatory bodies, along with a clear shared management of system risks. ICB has also agreed for work to be done to enhance system wide communication as part of the CQC Action Plan. The role of Executive Commissioning Board is being reviewed in the context of the emerging approach to partnership system commissioning intentions. Work is underway to develop options for strengthened system commissioning opportunities involving adult social care, children's social care and public health commissioning functions with the Bradford CCGs.

6.3 General Data Protection Regulations.

Following the implementation of the new data protection legislation (GDPR) in May 2018, work has continued to ensure that internal processes, procedures, data systems and documentation are GDPR compliant. Advice and guidance for staff has been published on Bradnet and mandatory eLearning on protecting information

provided for all appropriate staff. Work is continuing in respect of monitoring GDPR compliance across all Departments of the Council and work continues with neighbouring authorities and other partners to share best practice.

7. New 2019/20 Governance Challenges

There have been no new Governance Challenges identified for 2019/20.

8. West Yorkshire Pension Fund

The Council is the administering authority for West Yorkshire Pension Fund (WYPF). 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 WYPF. The Council has established three bodies to assist and support the Governance & Audit Committee oversee WYPF:

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

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.

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.

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 (TPR);
- 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.

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- 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 on 25 July 2019.

9. Statement

We are satisfied that an effective system of internal control has been in place throughout the financial year and is on-going. 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