

Central
Bedfordshire
Council
Priory House
Monks Walk
Chicksands,
Shefford SG17 5TQ



**TO ALL MEMBERS OF THE
AUDIT COMMITTEE**

24 June 2016

Dear Councillor

AUDIT COMMITTEE – MONDAY, 27 JUNE 2016

Further to the agenda and papers for the above meeting, previously circulated, please find attached the following report which was marked to follow:-

11. Annual Governance Statement 2015/16

To consider the draft Annual Governance Statement for 2015/16.

Should you have any queries regarding the above please contact me.

Yours sincerely

Leslie Manning
Committee Services Officer

Email: leslie.manning@centralbedfordshire.gov.uk
Telephone: 0300 300 5132

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Central Bedfordshire Council

AUDIT COMMITTEE

27 JUNE 2016

ANNUAL GOVERNANCE STATEMENT 2015/16

Advising Officer: Quentin Baker, Monitoring Officer
(quentin.baker@centralbedfordshire.gov.uk)

Contact Officer: Maria Damigos, Senior Corporate Lawyer

Purpose of this report

1. The report seeks the Committee's approval to the draft Annual Governance Statement.

RECOMMENDATION

The Committee is asked to:

1. Approve the draft Annual Governance Statement attached as Appendix A.

Overview and Scrutiny Comments/Recommendations

2. The Audit Committee is responsible for overseeing the production of the Annual Governance Statement and therefore this matter has not been considered by the Overview & Scrutiny Committees.

Background

3. The Audit Committee's terms of reference include responsibility for overseeing the production of the Council's Annual Governance Statement.
4. The Annual Governance Statement adopts an established format that has been used by the Council over the preceding 4 years in line with recommendations. It is understood that new recommendations as to format will apply next year.
5. The Annual Governance Statement is intended to demonstrate how the Council has achieved the principles contained in the Code of Corporate Governance in the current financial year.

6. The draft Annual Governance Statement has been considered by the Corporate Management Team and identifies significant governance issues that the Council has had to manage during 2015/16. These are referred to in section 5 of the Statement.
7. The Audit Committee is asked to consider whether the draft Annual Governance Statement accurately reflects the governance arrangements and the management of risk.

Council Priorities

8. A sound system of corporate governance provides the framework and assurance within which the Council can deliver its priorities with confidence. The opening paragraph of the Code of Corporate Governance describes corporate governance as the means by which the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The Annual Governance Statement shows how the Council has complied with the Code in the relevant financial year, how the Council has monitored the effectiveness of its governance arrangements during the year and on any planned changes. Sound governance arrangements contribute to the achievement of all the Council's priorities.

Corporate Implications

Risk Management

9. The Annual Governance Statement identifies a number of significant governance issues and, where appropriate, these have been identified in the Council's Corporate Risk Register, together with mitigating action to reduce the level of the risk.

Staffing (including Trades Unions)

10. There are none.

Legal Implications

11. The Accounts and Audit Regulations 2015 require the Council to conduct an annual review of its systems of internal control. The preparation of an Annual Governance Statement forms part of that process.

Financial Implications

12. The Annual Governance Statement will be reported alongside the Council's Statement of Accounts for 2015/16, but this report has no financial implications.

Equalities Implications

13. None arising directly from this report.

Conclusion and next Steps

14. If approved by the Audit Committee, the Statement will be submitted to the Leader and Chief Executive for formal sign off.

Appendices

Appendix A – Draft Annual Governance Statement

Background Papers

None

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APPENDIX A

CENTRAL BEDFORDSHIRE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/16

1.0 SCOPE OF RESPONSIBILITY

Central Bedfordshire 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.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvements in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.

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

Central Bedfordshire Council has adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this code is on our website www.centralbedfordshire.gov.uk.

This statement explains how the Council has complied with national good practice guidance and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

This statement should be read in conjunction with the Code of Corporate Governance. It explains how Central Bedfordshire Council has complied with the Code and how it has met the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

2.0 THE GOVERNANCE FRAMEWORK

2.1 The purpose of the governance framework

The governance framework is made up of the systems, processes, culture and values by which the authority directs and controls its activities and through which it

engages with and leads the community. The framework enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate services and value for money. The governance framework is described in the Code of Corporate Governance.

The system of internal control is a significant part of the corporate 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 risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Central Bedfordshire Council for the year ended 31 March 2016 and up to the date of the approval of the statement of accounts.

This section of the Annual Governance Statement describes the key elements of the systems and processes that make up the authority's governance arrangements.

2.2 Central Bedfordshire Council's Vision

In June 2012 the Council adopted a medium term plan for the period 2012 – 2016 entitled "Delivering your Priorities". The Council's overall objective is to create Central Bedfordshire as a "great place to live and work" and the plan identifies the following priorities:

- Enhancing Central Bedfordshire – creating jobs, managing growth, protecting our countryside and enabling businesses to grow.
- Improved educational attainment.
- Promote health and wellbeing and protecting the vulnerable.
- Better infrastructure – improved roads, broadband reach and transport.
- Great universal services – bins, leisure and libraries.
- Value for money.

Following the election of a new administration in May 2015, senior officers and members developed a five year plan setting out areas of focus and actions to meet the council's continuing objective to make Central Bedfordshire a Great Place to Live and Work.

The Council's Budget and Policy Framework contains specific plans, policies and strategies driving delivery of the Council's priorities and key work programmes.

The Council has adopted a set of organisational values that describe the type of organisation we want to be and the principles that will guide us in achieving our priorities and vision. These set out the way the Council will work and interact with its customers, members and staff.

The Council's values are:

Respect and Empowerment

- we will treat people as individuals who matter to us.

Stewardship and Efficiencies

- we will make the best use of the resources available to us.

Results Focused

- we will focus on the outcomes that make a difference to people's lives, and

Collaborative

- we will work closely with our colleagues, partners and customers to deliver on these outcomes.

2.3 Service quality

The Council has used regular performance reporting to ensure a sustained focus on those things that matter most to local people. We have a focussed and disciplined approach to producing, reviewing and acting on this critical performance information and it has resulted in success in both delivering short and medium term priorities and in the continuing improvement in performance of our services.

At a strategic level, the Corporate Management Team (CMT) regularly reviews reports on the performance of the Council. Each month CMT considers "Making it Happen" (MIH), People, and Place scorecards comprising the key directorate and corporate health performance indicators. These were reviewed and updated at the end of March 2016. In addition, on a quarterly basis, CMT review a MTP progress or status report. This report is presented to the Executive with any specific issues addressed through Overview & Scrutiny. At an operational level, performance data is populated on the Council's performance system (Inphase) by relevant Directorates. Each Director has responsibility for ensuring that relevant data and commentaries are published on the system. Directorate Management Teams also consider on a regular basis the key performance data of their Directorate, with associated commentary provided by Assistant Directors and/or Heads of Service as appropriate.

2.4 Key roles and responsibilities

The Council's Constitution sets out how the Council operates. It indicates clearly what matters are reserved for decision by the full Council itself and those powers which have been delegated to committees and officers. The powers of the Executive and those delegated to individual Executive Members are also defined. The Council has adopted a Constitution with separate chapters covering each of the main areas of operation (i.e. Council, Executive, Overview and Scrutiny, Officers, Joint Arrangements, Ethics and Standards). The Constitution is reviewed regularly. The most recent review commenced in March 2016 and is continuing. In the course of the year 2015/16, changes have been made to the Constitution under the Monitoring Officer's delegated authority to reflect legislative updates, and for points of clarity and transparency. Any significant changes proposed to the Constitution are considered by the General Purposes Committee for recommendation to Full Council.

The key policies of the Council are defined in the "Policy Framework" which forms part of the Budget and Policy Framework Procedure Rules within the Constitution. The Council reviews the Policy Framework periodically to ensure that it is fit for purpose and contains the most strategically important plans and those closely aligned to its corporate priorities.

The Constitution describes the role of the statutory officers (the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer) as well as describing in the Scheme of Delegation those statutory duties for which officers are responsible. It also includes a Member/Officer protocol which sets out a framework to guide officers and members in their joint working. Role definitions covering the responsibilities and accountabilities of key member offices (e.g. Leader, Executive member, Overview and Scrutiny Chairman, Chairman of the Council) have also been developed to assist in understanding their respective roles and expectations.

The Head of Paid Service, Monitoring Officer and Chief Finance Officer meet on a regular basis as statutory officers to consider and address any corporate issues or matters of probity that may benefit from their collective input and approach.

The governance arrangements for the Chief Finance Officer are set out in the CIPFA statement on the Role of the Chief Finance Officer in Local Government (2010) and are as follows:

The Chief Finance Officer in a public service organisation:

- a) is a key member of the strategic management of the Council, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;

- b) must be 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 alignment with the authority's financial strategy; and
- c) must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Finance Officer

- a) must lead and direct a finance function that is resourced to be fit for purpose; and
- b) must be professionally qualified and suitably experienced.

The Council's Chief Finance Officer is a member of the Council's Corporate Management Team (CMT) and as such he has access to the agenda, reports and minutes of CMT.

The powers of officers are clearly defined in the Scheme of Delegation to Officers and the Scheme also sets out the circumstances in which delegations are not to be exercised and principles which should be taken into account by decision makers when taking decisions. High level Codes of Financial and Procurement Governance set out the constraints within which officers may work and these Codes are supported by more detailed procedure rules.

Internal systems are in place with the aim of ensuring that Members are presented with the appropriate information to make decisions, including corporate implications with advice on legal, risk and financial considerations. Member level decisions are made on the basis of reports and are recorded.

2.5 Codes of Conduct and standards of behaviour of Officers and Members

Central Bedfordshire Council has adopted arrangements to promote high standards of ethical governance.

The Localism Act 2011 introduced new arrangements relating to standards in local authorities. In accordance with those arrangements, the Council adopted a new Code of Conduct in April 2012 based on the seven Nolan principles of public life. These arrangements came into effect on 1 July 2012 as required by the Act for principal Authorities and respective Town and Parish Councils.

The Council's General Purposes Committee is responsible for overseeing the arrangements. The Council collaborated with a number of neighbouring local authorities to appoint a panel of Independent Persons, as required by the Localism

Act who are available to advise as and when complaints are received relating to the Code of Conduct. The appointments were for a term of 4 years and it is proposed that they will be extended for a further term of 4 years as from September 2016.

There is a system in place to deal with the investigation and determination of alleged breaches of the Members' Code of Conduct. Upon receipt, complaints are assessed by the Council's Monitoring Officer in consultation with the Independent Person. Where necessary, complaints are considered and determined by the Standards Sub-Committee. This system is periodically reviewed to develop best practice, and was revised in 2015/16 to remove the right of appeal from a decision of the Standards Sub-Committee to reduce the overall process and create certainty.

As a result of the elections in May 2015, training on the Code of Conduct and the rules relating to disclosable interests was provided for both re-elected and new members.

The Council also has in place a number of codes and protocols relating to various aspects of ethical governance including: a Code of Conduct for Officers, a Protocol for Members/Officer Relations, a Monitoring Officer Protocol and a Protocol regarding the use of ICT at Home. These codes and protocols are included in the Council's Constitution.

Additionally, there is an Ethical Handbook which contains further Codes relating to Gifts and Hospitality, Planning and Licensing Good Practice, Confidential Reporting (Whistleblowing) and guidance for Members on Property and Transactions and Commercial Property Management.

The Council's Assistant Director Legal & Democratic Services is appointed as the Council's Monitoring Officer. Governance arrangements for the Monitoring Officer are set out in statute and in the Constitution. The Monitoring Officer has access to the agenda, reports and minutes of CMT and attends CMT meetings from time to time as appropriate.

2.6 Decisions, processes and controls

The Scheme of Delegation to Officers sets out the powers which are delegated to the Chief Executive and Directors, as well as setting out the general principles governing the circumstances in which decisions may not be taken under delegation and considerations to be taken into account by a decision taker when making a decision, including the requirement to consult local councillors on matters that affect their wards. Procedures are in place to enable Directors to sub-delegate to other officers and to notify the Monitoring Officer if any such arrangements are made.

The Code of Financial Governance sets out the limits within which officers may make decisions on spending, within the budget approved by the Council. The Code is supported by detailed procedure rules which are maintained on the Council's intranet.

The Code of Procurement Governance defines the procurement process and references the relevant levels of authority dependant upon financial thresholds. The Code is supported by detailed procedure rules which are maintained on the Council's intranet. The rules are promoted to staff through bespoke training courses. They are also embedded in a Procurement Tool Kit which is made available to all members of staff who are involved in procurement, and is available as an interactive version on the Intranet. A two page pictorial summary of the rules is also made available.

The Council's Risk Management Strategy and Policy Statement was updated and approved by the Audit Committee in January 2016. The Strategic Risk register has been regularly reviewed and refreshed during the year. CMT endorsed the Risk Management Strategy and Policy Statement and have received regular risk reports during the year, which have also been presented to the Audit Committee.

Committee reports require officers to set out the risk management considerations in terms of current and potential risks and how they will be managed and mitigated.

2.7 Functions of the Audit Committee

The terms of reference of the Audit Committee are set out in the Council's Constitution, and are broadly in accordance with the CIPFA guidance document. The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2.8 Compliance with relevant laws and regulations

The Council has access to a team of professional legal staff with specialist knowledge of its functions who advise on relevant laws, regulations and constitutional issues to ensure that the Council acts lawfully. In June 2010, the Central Bedfordshire Legal Team achieved the Lexcel accreditation, a quality standard administered by the Law Society. This accreditation applies for three years with annual maintenance visits. The accreditation was renewed in 2013 and continues to be maintained. Compliance with the Lexcel standard provides assurance that the service provided is in accordance best practice. There is a strong focus on continuous professional development to ensure that staff are well-

trained and have up-to-date knowledge of all the relevant specialist areas of law that govern the Council's activities.

As from 1 April 2016 the in-house legal service became a shared service and transferred to LGSS Law Ltd, a firm wholly owned by the Council, Cambridgeshire County Council and Northamptonshire County Council. This increases the specialist areas of law that can be covered and supplies a wider range of staff to support and advise the Council more cost effectively. All legal advice is to be provided by LGSS Law Ltd and any external legal support is to be commissioned through LGSS Law Ltd.

All reports that are considered by the Executive, the Council's regulatory committees and by overview and scrutiny committees include advice on the legal implications and risks of the proposed decisions. These reports are reviewed by a senior legal adviser to ensure that the legal implications have been accurately reflected.

The Monitoring Officer, or as appropriate, a senior lawyer attends meetings of the Council, the Executive and regulatory committees to advise on legal issues as they arise.

2.9 Whistle-blowing and complaints

The Council introduced a whistle-blowing policy known as the Confidential Reporting Code in the Ethical Handbook section of the Constitution. This has been regularly reviewed and updated to reflect changes to roles and responsibilities, most recently by the Audit Committee in January 2012. A further review is currently in progress.

An Anti-Fraud and Corruption Strategy was also approved and is included in the Ethical Handbook of the Constitution. This was also updated by the Audit Committee in January 2012 to reflect the introduction of the Bribery Act 2010 and changes to reporting channels within the Council. A review is currently in progress.

The Council welcomes feedback on its services and has a three stage complaints procedure for customers. There are timescales for remedying complaints. If more time is needed, the complainant will be informed.

The Three Stages of the Complaints Procedure:

Stage 1 Complaints – local resolution by a manager of the service. A response is required to be made within five working days.

Stage 2 Complaints – senior service level investigation. A response is required to be made within 15 working days.

Stage 3 Complaints – investigation by someone outside of the service area complained about. A report is to be produced within 15 working days. The service Director responds to the findings in the report.

There are separate procedures for Children’s Services and Adult Social Care where complaints procedures are governed by Regulations. There are also formal processes for registering complaints in respect of the Council’s Housing Landlord functions.

2.10 Development and training for Officers and Members

The 360 degree feedback exercise has been conducted for the entire Leadership Network (previously SMG and 4th tier managers). The Feedback is measured against a set of Leadership Qualities that were originally developed by SMG and have been refined and adjusted to meet the continually changing environment of local government. The results of the 360 feedback are then embedded into the Your Year conversations and help identify individual development areas.

Throughout the year we have continued to develop our 4th tier managers through the Leadership Development Management Programme. This includes an option of an ILM5 qualification. Other management training included the piloting of a 5th tier programme to address the learning needs of Managers at this level. We also developed a HR Management in Practice Course that develops the managers ability to understand and implement the various HR policies within their role as people managers.

We have offered a range of Learning and Development opportunities with a focus on providing a wealth of on-demand resources (e-learning, webinars, e-books etc) linked to the Corporate Vision, Values and Priorities. These are designed to provide individuals with the skills to do their job and to support them and the organisation in meeting their objectives and statutory requirements in the context of the Council and local government.

The Member Development Programme has been developed to support all Members and provides essential updates and training sessions. This was supplemented by further comprehensive training in all areas after the elections in May 2015. It was ratified by the Member Development Champion and approved by the Corporate Management Team.

2.11 Channels of communication

Central Bedfordshire Council is committed to deliver planned, sustained and two way communications and engagement with the public, staff and other stakeholders.

Specifically, the Council aims to:

- a) raise awareness and understanding of the vision, priorities and values of the Council both internally and externally
- b) develop and improve its channels of direct communication with customers and stakeholders, in particular digital channels;
- c) prioritise core campaigns;
- d) enhance internal communications to facilitate change and increase staff engagement;
- e) enhance media relations to enable accurate reporting of the decision making and service developments of the Council;
- f) support effective relationships with national and regional stakeholders.

Core channels for public communication include our community magazine, News Central, which is delivered to all households on a quarterly basis in line with Communities and Local Government guidance on Local Government Publicity. The magazine regularly includes information about all access routes to the Council, by phone, on line or face to face.

The magazine also includes features on policy and service developments, promotes consultations and invites feedback from customers. Copies of the magazine are available in alternative formats and it is published on line.

The Council's website is a critical communication channel which is available in both a conventional format and in a bespoke format for mobile devices. The website was updated and reconfigured and was relaunched in March 2016 to provide better access and information for residents. On line presence provides news and information to residents and other stakeholders. Customers are also able to log on to our portal to report issues such as potholes and apply for some of our services. The highways online reporting facility is also compatible with tablets and smartphones.

Additional digital channels include email bulletins on a wide range of services, updates on Twitter and bespoke Facebook pages. In total, approximately 40,000 residents subscribe to these channels.

In order to strengthen our ability to engage with all elements of our community and particularly with younger people, the Council has developed a presence on line to embrace social media through sites such as Facebook and Twitter.

Proactive media relations services also ensure that Council decision making and service developments are effectively reported to the media, which continues to be a key communication channel to the public.

Staff communication mechanisms combine a series of face to face, on line and written media. These include regular staff briefings (the Chief Executive has twice yearly staff roadshows to update staff on corporate direction and priorities), weekly electronic bulletins, blogs and updated news on the intranet. Corporate communications are complemented by specific channels for service Directorates. Stakeholder communications channels include a stakeholder ezine, regular face to face fora and the publication of information on the Central Bedfordshire Together website, a bespoke site partners in Central Bedfordshire.

A weekly bulletin is sent to all Members to provide information about forthcoming events, meetings and to ensure that they are made aware of any significant issues.

In addition to programmed communication activities, the Council regularly sends emails and briefings to update both Staff and Members on important topics.

2.12 Equality and Diversity

Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations. The Council wants to ensure that it provides services which address the needs of all members of the community and employs a workforce that at all levels is representative of the community it serves and which experiences fairness and equity of treatment.

As strategies, policies and services are developed, the Council conducts Equality Impact Assessments to:

- Consider issues relating to age, disability, sex, pregnancy and maternity, gender reassignment, marriage and civil partnerships, race, religion and belief and sexual orientation.
- Obtain a clearer understanding of how different groups may be affected.
- Identify changes which may need to be built into an initiative as it is developed.
- Comply with legislative requirements.
- Identify good practice.

The Council supports an Equality Forum (Central Bedfordshire Equality Forum) of voluntary sector representatives which acts as an advisory and consultative body to the Council on statutory service delivery and employment duties and issues relating to age, disability, gender re-assignment, pregnancy and maternity,

marriage and civil partnership, race, religion or belief, sex and sexual orientation as they relate to Central Bedfordshire. The Core Functions of the Forum are:

- To provide a mechanism for consultation and liaison with community groups and other voluntary sector agencies.
- To advise on the overall development and implementation of the Council's Single Equality Scheme.
- To provide advice and feedback on the impact of new policies and functions.
- To consider and quality assure Equality Impact Assessments undertaken by the Council, or in conjunction with partners, relating to strategy, policy and service development. Recommendations are fed back to relevant services.
- To raise awareness within the Council of the potential barriers to inclusion and equality of opportunity experienced by vulnerable and disadvantaged groups.

The Equality Forum meets four times a year and quality assures all the significant Council Strategies and Policies and the accompanying equality impact assessments. The Forum has reviewed a number of key initiatives spanning all parts of the Council including that of the budget setting process.

2.13 Partnership governance

The Council's Constitution includes a detailed Partnerships Protocol that sets out the arrangements and principles for established and future Public and Private Sector Partnerships. These are defined as:

Public Sector Strategic Partnerships: one or more public bodies, including voluntary organisations and charities that determine strategies for service delivery, but which have little or no resource management responsibilities;

Public Sector Delivery Partnerships: one or more public bodies, including voluntary organisations and charities that commission or deliver services on behalf of the partners and which have significant resource management responsibilities; and
Private Sector Partnerships: private companies, either in their own right or as part of a public sector partnership entering into a contract with the Council for a considerable period.

The Partnerships Protocol was developed in line with the Audit Commission's report on partnership governance however it will be included in the review of the Constitution and updated as necessary

The Protocol prescribes the key requirements to ensure accountability (internally amongst partners and externally to communities), value for money, leadership, decision-making, scrutiny and risk management.

All partnerships are required to have detailed terms of reference that fully set out all of the arrangements and key partnerships review these on an annual basis to ensure they are fit for purpose and aligned to the Partnership's future work programme.

Going forward the Health and Wellbeing Board has the strategic overview of the Better Care Fund Plan. This Plan sets out a shared vision for the delivery of integrated and locality based health and social care provision in Central Bedfordshire. A Joint Commissioning Board for the Better Care Fund, made up of relevant multi agency senior officers, will report directly to the Health and Wellbeing Board, ensuring that the pooled budgets are targeted at delivering the outcomes set out in the Plan.

3.0 REVIEW OF EFFECTIVENESS

Central Bedfordshire Council has responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team, which has 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.

The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular, the Council has adopted the CIPFA/SOLACE framework, "Delivering Good Governance in Local Government" and continues to learn from experiences and makes necessary changes to improve its local code of governance. The Council's review process uses the Key Roles and Core Principles included in this guidance and this Statement sets out how the Council meets these roles and principles in its control and governance arrangements.

The Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports.
- the work undertaken by Internal Audit during the year.
- the work undertaken by the external auditor reported in their annual audit and inspection letter.
- other work undertaken by independent inspection bodies.

The arrangements for the provision of internal audit are contained within the Council's Code of Financial Governance which is included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control, as required by the Accounts and Audit Regulations 2015. The internal audit provision is managed, independently, by the Head of Internal Audit and Risk who reports to the Chief Finance Officer on an administrative basis, and operated in accordance with Public Sector Internal Audit Standards (PSIAS) during 2015/16.

The Internal Audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The resulting work plan is discussed and agreed with the Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any identified weaknesses. These are submitted to Members, Directors and Head Teachers as appropriate.

The internal audit function is monitored and reviewed regularly by the Audit Committee. The Committee also reviews progress in implementing high risk recommendations made in audit reports.

A self assessment review is undertaken annually by the Head of Internal Audit and Risk against compliance with the Public Sector Internal Audit Standards 2013 on the effectiveness of the Internal Audit function. No issues of concern were raised as a result of these reviews. An independent external assessment was undertaken by CIPFA during 2015/16, and the Internal Audit Team is fully compliant with the Standards.

The Council has established Overview and Scrutiny Committees which receive reports on key issues including budget monitoring, performance and efficiency information.

The Council's performance is monitored on a quarterly basis by the Executive and Overview and Scrutiny Committees. Directorate and service plans contain a variety of performance indicators and targets that are regularly reviewed.

The Council's information governance performance is reported and monitored on a quarterly basis by the Information Assurance Group (IAG) and reviewed by CMT as appropriate. IAG seeks to promote effective information governance and compliance across the Council. As well as developing information sharing protocols with Partner Organisations, including working towards the better use of

information and technology to transform health and social care services in line with government strategy the Group also monitors compliance with the Information Governance Toolkit. The Toolkit is a performance tool produced by the Department of Health in relation to Adult Care but which has universal application. The Council achieved level 2 compliance (82%).

The IAG is chaired by the Senior Information Risk Owner (SIRO) to the Council or their nominated representative.

As a result of data protection breaches, the Information Commissioner's Office conducted a data protection audit in April 2015 and the implementation of the recommendations from the audit have now been signed off.

The external auditors also reviewed the decision making processes after a referral to the NAO regarding the shared legal services. No challenge was raised although some areas for improvement were identified. As well as updating the Constitution, appropriate action will be taken to address the learning points arising from the review.

During the early part of 2016 Ofsted and other inspectorates undertook a joint targeted area inspection of the multi-agency response to abuse and neglect in Central Bedfordshire. The overall assessment as it relates to the Council was good. The inspection highlighted opportunities for improvement that will be pursued on a partnership basis.

4.0 ANNUAL AUDIT REPORT FOR 2015/16

The Council's Head of Internal Audit submitted her opinion on the overall adequacy and effectiveness of the Council's internal control environment to the Audit Committee on 27 June 2016. The Internal Audit work programme included reviews of the fundamental financial systems and other assurance work on other non fundamental systems.

The Head of Internal Audit reported that her opinion was that overall the Council's system of internal control, governance framework and risk management arrangements were adequate. In general, the key controls in place were adequate and effective such that reasonable assurance can be placed on the operation of the Council's functions.

Two of the fundamental system reviews received a Full Assurance audit opinion and the remainder have received an opinion of Adequate Assurance. The change of provider for agency staff effective from November 2014 resulted in interim control procedures being introduced with a reduction in the control environment for a significant area of activity for the latter half of 2014/15 and the

first half of 2015/16. Revised management controls were introduced in October 2015. A detailed audit review is scheduled for 2016/17.

The majority of audit reviews of areas other than the fundamental systems have received Adequate Assurance opinions. Where weaknesses in the current processes have been identified actions have been agreed with management to address these issues.

Internal Audit has continued to track the implementation of high priority recommendations. This work has identified that, although progress was made during 2015/16 to develop a comprehensive IT Disaster Recovery Plan, this work has still to be finalised. The Chief Information Officer has undertaken a review of the data centre provisioning at the Council and it is anticipated that there will be significant changes made in the technologies in use and how they are supported. ICT is undertaking to deliver a refreshed and renewed Disaster Recovery Plan. Internal Audit undertook a further audit review of IT Disaster Recovery during 2015/16, and the audit opinion remained Limited Assurance.

The Audit Committee has received regular updates on this during the year, and it was resolved at the April 2016 Audit Committee that the Chief Information Officer be invited to attend the September Committee to provide an update on the progress made in developing and approving the Information Technology Disaster Recovery Plan.

5.0 SIGNIFICANT GOVERNANCE ISSUES

In previous Annual Governance Statements certain significant governance issues have been identified, together with the measures that the Council intends to take to manage the risks associated with these issues. Such issues are identified in the Council's Corporate Risk Register, which also identifies the mitigating action to be taken. The Risk Register is monitored regularly by CMT.

The following significant governance issues were identified during 2015/16:

- New EU Regulations relating to data protection will be effective as from May 2018 and this will require updating of processes and procedures to ensure compliance
- CIPFA/SOLACE have developed a new Good Governance in Local Government 2016 Framework which will come into effect for 2016/17.

The Strategic Risk Register also identifies the following risks which have an impact on governance:

- Information Management: a lack of consistent information management and data accuracy across the organisation leading to non compliance with the Data Protection Act and breaches of information security.
- Growth: a risk that failure to adopt a Local Plan and Infrastructure Levy and subsequently deliver the levels of housing, jobs or infrastructure proposed for growth and regeneration of the area in a planned way.
- Fragility of partners/Failure of partnerships: all partners are experiencing significant changes and pressures. There is an increased risk that services may be compromised and costs fall to the Council. As a result of conflicting priorities: there is a risk that the Council is unable to develop and manage effective partnerships and influence the activities of the partnerships.

6.0 COMPLIANCE WITH CIPFA CODE OF PRACTICE ON MANAGING THE RISK OF FRAUD AND CORRUPTION

To help Councils recognise and address their fraud risks, CIPFA published a Code of Practice on Managing the Risk of Fraud and Corruption in December 2014. This sets out five principles that organisations should adhere to:

- Acknowledge responsibility
- Identify risks
- Develop a Strategy
- Provide resources
- Take action

The Code includes a requirement for organisations to include a statement within their Annual Governance Statement about their adherence to this Code. A detailed review of the Council's arrangements against the Code has been undertaken to address any gaps identified and action has been taken to address any issues identified. Work is in progress to update the Anti-Fraud and Corruption Strategy to support compliance with the Code.

Having considered all the principles, we are satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

Actions to be taken to manage the risk of fraud:

Action:	Responsibility:	Target Date:
To finalise the review of both the Confidential Reporting Policy (Whistle blowing) and the Anti Fraud and Corruption Strategy to support compliance with the Code.	Chief Finance Officer	End December 2016

7.0 CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2015/16 and has been approved by the Council’s Audit Committee.

Overall, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The Council proposes to take steps over the coming year 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 the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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J JAMIESON
LEADER OF THE COUNCIL

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R CARR
CHIEF EXECUTIVE

Dated
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Dated
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