Bedfordshire County Council   **Appendix A**
Annual Governance Statement

SCOPE OF RESPONSIBILITY

Bedfordshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for.

Bedfordshire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are carried out, making sure it delivers services with economy, efficiency and effectiveness.

The County Council is responsible for putting in place proper arrangements for the governance of its affairs, to enable it to carry out its functions, which include arrangements for the management of risk.

Bedfordshire County 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 the code is on our website and can be obtained from the Monitoring Officer or the Head of Internal Audit.

This statement should be read in conjunction with the Code of Corporate Governance. It explains how we have complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 on the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework is made up of the systems, processes, culture and values by which the authority is directed and controlled. It controls the activities through which it engages with and leads the community. The governance framework enables the authority 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 system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bedfordshire County Council since 2001 and in this particular form since 2008.

THE GOVERNANCE FRAMEWORK

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

Bedfordshire County Council's vision

The Council's vision, its purpose and outcomes for its communities is set out in *Making Bedfordshire Thrive.* The Sustainable Community Strategy and its vision are both owned by the Countywide Partnership, with the County Council as the accountable body. The aim is to provide a common sense of direction for all partner organisations in Bedfordshire shaping and aligning our strategies and plans.

The Sustainable Community Strategy supports the County Council's vision for the future. The strategy was updated in April 2008 with a renewed evidence base, revised performance indicators and new targets. The Council's Medium Term Strategy, Making Bedfordshire Thrive programme and contribution to the Local Area Agreement are all key components of the Council's delivery of its vision.

Service quality

Each directorate provides information on performance indicators, which are incorporated into service plans. A performance report, containing a number of key indicators (set locally and nationally) is reviewed by the Corporate Management Board, relevant Portfolio Holders and the Overview and Scrutiny Committees each quarter. The Council's year-end performance position is detailed in its Annual Report.

Key roles and responsibilities

The terms of reference, roles and responsibilities for members of the Executive and all other Committees are set out in the Constitution, which went through a fundamental review completed in January 2008. The Scheme of Delegation sets out the roles and responsibility of officers and the powers delegated to officers by the Executive. The Protocol for Member / Officer Relations defines further the day-to-day roles and responsibilities of officers and members.

Codes of conduct and standards of behaviour

Employees of the Council must abide by the rules set out in the Code of Conduct for staff. The standards of behaviour expected of Members are set out in the Member Code of Conduct. All new Members must sign up to the code upon taking office. The Chairman of the Standards Committee is an independent member and 50% of the membership of the Committee is independent. The Committee operates an ethical risk register to guide its work programme. In 2008 the Council successfully implemented the new regime for dealing with complaints against Members. Through its Assessment and Review Sub Committees the Standards Committee has dealt with three complaints. None of them resulted in a full investigation or hearing before the full Committee.

Decisions, processes and controls

The rules governing how the Council operates are set out in the Council's Constitution. Rules are set out which govern the procedural elements of business, while financial regulations set out how financial activity is carried out and how financial interests are safeguarded. The Scheme of Delegation sets out the role of the Chief Executive and each of the directors. It also sets out the delegated authority given to officers in order to carry out the business of the Council. The Corporate Risk Management Strategy outlines the arrangements to ensure the Council identifies and deals with the key risks it faces.

Functions of the Audit Committee

Under the corporate governance and assurance framework the Audit Committee is responsible for reviewing the Annual Governance Statement and advising the Council or Executive on matters. The terms of reference of the Audit Committee are set out in the Constitution. The Audit Committee has been effective in monitoring the Council's financial and risk management arrangements throughout the year. Internal Audit

undertakes a risk based approach to its annual audit work, which is approved by the S151 officer and agreed with the Audit Committee.

In addition, the Audit Committee is the governing body charged with monitoring the internal control environment of the Council. The Committee has successfully tracked internal and external audit recommendations to ensure the continuous improvement of key systems and compliance with audit recommendations. This involves closely monitoring progress against current recommendations arising from all external inspection reports and high risk recommendations from internal audit reports, on a quarterly basis. Where issues are raised, the Committee calls the relevant senior manager to attend the Committee to explain what is being done to rectify the situation and closely monitors progress.

Compliance with relevant laws and regulations
The functions of the Monitoring Officer and Section 151 Officer are specified in the Constitution. The Assistant Director for Corporate Governance, as monitoring officer, is responsible for ensuring lawfulness and fairness in decision making. The Director of Resources as the appointed Section 151 Officer is responsible for ensuring lawfulness and financial probity and prudence in decision making. The Head of Internal Audit is responsible for providing assurance on internal controls, ensuring that there are adequate mechanisms in place for the reporting and investigation of fraud, and ensuring that the risk management framework is robust.

Whistle-blowing and complaints
Members and employees are positively encouraged to raise concerns regarding fraud or corruption via the Council's Whistleblowing Policy and Anti-fraud and Anti-corruption Strategy. The Audit Committee and the Standards Committee approved the policy and the strategy which advocates a zero tolerance on fraud. Internal Audit undertakes special investigations and works with the police, where necessary. The Head of Internal Audit maintains separate logs of all fraud investigations and whistleblowing. The Customer Charter sets out the standards of service that the Council is committed to providing to its customers. The Overview and Scrutiny Committee considers the effectiveness of the customer charter.

Development and training
To help identify staff training and development needs, the Council uses a PDR (Performance Development Review) process. Development needs are incorporated into a personal development plan. For members, there is a Member Development Strategy. The Strategy is monitored by a member development steering group. The Council also places significant emphasis on organisational development and the support for all staff within an overall framework of organisational value and behaviour.

Channels of communication
As a means of establishing clear channels of communication, the Council has produced Customer Engagement Strategy and a Communications Strategy. The internal and external communications service has previously been recognised nationally as being amongst the best.

Partnership governance
The Council has a document - Partnership Governance Principles – which sets out the principles for governance arrangements for public and private sector partnerships. The Council has also produced a Guide to Partnerships, which is considered best practice nationally. The Council places strong emphasis on managing the performance of key partnerships as illustrated through specific performance clinic work across, for example, the Environment Directorate, including in conjunction with its highways contractor, Amey.

REVIEW OF EFFECTIVENESS

Bedfordshire County Council is responsible for conducting 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 officers within the Authority who have responsibility for the development and maintenance of the governance environment, assurance work undertaken by Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates. The Head of Internal Audit has undertaken a review of the effectiveness of internal audit and a review of the effectiveness of the systems of internal control. Senior officers have signed the annual statements of responsibilities confirming that during the year they have:

- Ensured that there are arrangements in place for establishing directorate objectives and compliance with corporate priorities
- Ensured compliance with the Council's governance arrangements (Constitution, Ethical Framework, and Policies & Regulations)
- Ensured arrangements for sound budgetary controls
- Effectively monitored and managed performance
- Reported to the appropriate member committees
- Responded promptly to internal & external audits & inspections
- Continuously managed business risks and service continuity arrangements Significant work has taken place to successfully put risk management into the heart of decision making, strategic planning and performance processes. The Council is now risk enabled and active management of risk is undertaken throughout the organisation.

During 2007, officers received a service control pack. The pack is a tool designed to assist officers in the understanding and management of internal controls in their service areas. It is not an exhaustive and/or all inclusive pack; however it does include the core business information and can be personalised to service area and needs. This pack is kept up to date by Directors and Assistant Directors. An electronic master copy is maintained by Internal Audit and Risk Management.

In 2007/2008 a member steering group was set up to carry out an annual governance review. The member steering group allowed a significant member input into the process and development of the Code of Corporate Governance and provided the appropriate challenge to existing arrangements providing the assurance necessary to complete the Annual Governance Statement.

During the course of the review our corporate governance framework was revised following the publication of "Delivering Good Governance in Local Government" by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in July 2007.

The member steering group led the development of the Code of Corporate Governance. It also undertook a gap analysis using the CIPFA/SOLACE framework.

During 2008/9 the Council's main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services, through a high level Unitary Risk Register and Transitions Issues log.

Therefore this year we have taken a lighter touch approach to the preparation of the Annual Governance Statement and have not formed a Member Steering Group. However, key Members including the Leader of the Council, the Opposition Leaders and the Chairman of the Standards Committee were consulted in preparing the Annual Governance Statement.

During 2008/9 the processes for managing and monitoring performance were further embedded. The positive overall Use of Resources judgement for 2007/8 at Level 3 demonstrates the Authority's commitment to improved financial control and management of risks. A Level 4 assessment was achieved for the management of significant business risks and promoting external accountability in relation to financial reporting. The Use of Resources Assessment concluded that the Council is performing well in all of the five themes assessed and there had been particular improvements in Financial Reporting and Internal Control.

During 2008/9 additional controls have been introduced to ensure that there is a robust governance framework in place to address any additional risks that may arise during the close down the County Council. A three quarter year closure of accounts was undertaken at the end of December to ensure a smooth final closure of accounts and specific resources have been committed to this.

The review of the effectiveness of internal audit was undertaken by the Head of Internal Audit using the CIPFA matrix for assessing internal audit. It confirmed that the systems of internal audit operated in accordance with CIPFA's Code of Practice. This demonstrates that the previous improvement in the results of the managed audits has generally been maintained.

The CSCI Safeguarding Inspection was conducted in May 2008, and reported in September 2008. It found services to be adequate, and that prospects for improvement were uncertain. An Action Plan was drawn up to respond to the recommendations of the report, which is currently assessed as being on track for delivery. The two new Unitary Councils have agreed that they will refresh the Action Plan and continue the programme of improvement. CSCI will review progress in the autumn of 2009.

In December 2008 Ofsted released its Annual Performance Assessment of Children's Services. The assessment concluded that Bedfordshire County Council provides services that make a good contribution to outcomes for children and young people. It delivers services that overall are above the minimum requirements and which make an outstanding contribution to keeping children and young people safe. The management of children's services is good as is the capacity of the council to make further improvements.

SIGNIFICANT GOVERNANCE ISSUES

The review of systems of internal control disclosed that they were effective in 2008/09. During the year we have taken steps to address the matters identified in the 2007/8 Annual Governance Statement to further enhance our governance arrangements. We are satisfied that these steps have improved the overall governance in place. However the following issues remain of concern:

- So far 39% of assessed schools have failed the Financial Management Standard in Schools (Toolkit) indicating there is cause for concern. Some of the failures are due to non-submission. The schools assessed during 2008/9 tend to be smaller schools with limited administrative resources to dedicate to the collation of the

required evidence. Therefore these schools may require additional support from the relevant new unitaries.

- Although most of the payroll weaknesses that were identified during the 2007/8 managed audit reviews have been addressed the 2008/9 review has identified new concerns relating to access levels which have emerged since the SAP Payroll implementation.
- In addition the managed audit reviews for 2008/9 have identified concerns relating to IT security, including access and authorisations.

The above issues will need to be addressed by the new authorities. As a result, an action plan for 2009/10 has not been produced. It will be more appropriate for the new authorities to produce relevant action plans. In addition, we would encourage them to refer to the Unitary Risk Register and Transition Issues log to move forward on the risks and issues that have been identified. The budget and financial constraints of the new authorities will necessitate robust financial and performance management to ensure that the objectives of the organisations can be achieved.

CONCLUSION

This statement has been produced as a result of a review of the effectiveness of the governance framework in place during 2008/9. However, it should be noted that it has been produced prior to the production of the annual statement of accounts and is informed by Internal Audit managed audit assurance work which covers the period up to December 31st 2008. The statement may need to be revisited once fundamental systems assurance work has been undertaken for the final quarter of the year.

As mentioned before during 2008/9 our main focus has been highlighting and mitigating the risks relating to the local government restructuring in Bedfordshire, particularly the risks in disaggregating county services. The County Council is now focussing on passing on its services and staff to the two new unitary authorities to be created on 1 April 2009.

The Council's Corporate Overview and Scrutiny Committee undertook a review of the progress within the County Council in supporting the transition to two new unitary councils in Bedfordshire. The Committee found that since the date of the decision in the Judicial Review proceedings, which coincided with the Government's final decision, the County Council had proactively supported the setting up of the two new unitaries with the provision of information requested and active identification of key issues as well as the successful transfer of staff.

A peer review conducted by the Regional Improvement & Efficiency Partnership (RIEP) examined the role of the County Council in supporting the transition to two new unitaries. The preliminary findings are very positive, with the team highlighting the County Council having met all of its obligations and more, whilst continuing to deliver high quality services to the people of Bedfordshire.

In addition, the County Council willingly engaged with the Audit Commission with their Local Government Review (LGR) work in Bedfordshire, as we supported their analysis that the reorganisation represented a potential risk to public services. The Audit Commission acknowledged that Bedfordshire County Council had supported the LGR in a very thorough way.

Signed: …….....................………………………………………………………………………
Leader of the Council and the Chief Executive on behalf of Bedfordshire County Council

16 March 2009