

Decision Maker: **AUDIT SUB-COMMITTEE**

Date: **Tuesday 4 June 2019**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **ANNUAL GOVERNANCE STATEMENT**

Contact Officer: David Hogan, Head of Audit and Assurance
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Chief Officer: Director of Finance

Ward: (All Wards)

1. Reason for report

The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement must be prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 6(1)(b) of the Regulations 2015 requires that for a local authority in England, the statement is an Annual Governance Statement. It is also included within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

2. **RECOMMENDATION(S)**

1. **To comment on the 2018/19 Annual Governance Statement, attached as Appendix A.**
2. **To agree the 2018/19 Annual Governance Statement subject to any changes to the draft made as a result of Recommendation One.**
3. **To agree changes made to the Council's Code of Corporate Governance, Attached as Appendix B.**

Impact on Vulnerable Adults and Children

1. Summary of Impact: None
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Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Internal Audit and Assurance
 4. Total current budget for this head: £535k including Internal and External Audit, Fraud Partnership, Insurance Management and Claims handling
 5. Source of funding: General Funding, Admin Penalties, Legal cost recoveries
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Personnel

1. Number of staff (current and additional): 7.5 FTE including 1 FTE Insurance and Risk Manager
 2. If from existing staff resources, number of staff hours: 2018/19 900 audit days were proposed to be spent on the audit plan, fraud and investigations – excludes RB Greenwich time.
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Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Not Applicable:
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Procurement

1. Summary of Procurement Implications: None
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A. Relevant to all stakeholders of the Council
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1 The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.

3.2 The Council must assure itself that its internal control environment is effective. Regulation 3 of the Accounts and Audit Regulations 2015, requires audited bodies to ensure that it has a sound system of internal control which:

- (a) facilitates the effectiveness of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial management and operational management of the authority is effective
- (c) includes effective arrangements for the management of risk.

Regulation 6 requires that each financial year, the authority must:

- (a) conduct a review of the effectiveness of the system of internal control;
- (b) prepare an Annual Governance Statement.

3.3 The AGS must be prepared in accordance with proper practices as defined in the CIPFA publication 'Delivering Good Governance in Local Government: Framework 2016'. The guidance outlines seven core principles of governance focusing on the systems and processes for the direction and control of the Council and its activities whereby it engages with and leads the community. There is no prescribed format.

3.4 Annual review of LB Bromley's Governance Framework

3.4.1 The annual review and development of the Annual Governance Statement was undertaken by Internal Audit in consultation with the Corporate Leadership Team, and included input from the Monitoring Officer, Section 151 Officer, Democratic Services Officer and Corporate Risk Management Group.

3.4.2 The assurance framework sets out the sources of assurance that are relied upon to enable preparation of the Annual Governance Statement. These include the work of Internal Audit, and of directors and managers within the Council who have responsibility for the development and maintenance of the internal control environment. It also includes the comments made by the external auditors and other review agencies and inspectorates. The Head of Audit opinion set out in the internal audit annual report forms a key element of the review.

3.5 Governance Issues

3.5.1 As a result of our annual review, we have identified the following areas where further work is required to monitor how the key risks facing the Council are being managed, or where further work is required to improve systems. The issues and actions highlighted in the Annual Governance Statement are as follows:

3.5.2 Finance

3.5.3 Capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2019/20 without a detrimental impact on key services. There are

significant mitigation options to partly offset growth/cost pressures being implemented for 2019/20. Significant challenges remain for 2020/21 and beyond.

3.5.4 It should be noted that this was also highlighted as a 'Significant Governance Issue' in the 2017/18 Annual Governance Statement.

3.5.5 Health and Safety/Fire Safety

3.5.6 Strengthen the Health and Safety Management systems and processes across the Council ensuring compliance with good practice through:-

3.5.7 Health and Safety Risk Assessments

Compiling a full suite of comprehensive Health and Safety Risk Assessments, demonstrating that Health and Safety Risks have been established and action plans are in place to implement controls.

3.5.8 Fire Safety Risk Assessments

Action is being taken to address the site management issues identified in the Operational Property Estate Fire Risk Assessments:-

- A person responsible for fire safety is identified at each building;
- Contractors occupying buildings are carrying out fire safety properly, if their responsibility;
- Suitable training/guidance is delivered either in house or externally, to ensure that responsible personnel are enabled to carry out their duties correctly and with confidence.

3.5.9 Contract Management/Monitoring

3.5.10 Strengthen control arrangements and effectiveness of Contract Management through:-

3.5.11 Clarifying and communicating to all staff their roles and responsibilities in respect of the management of key contracts.

3.5.12 Monitoring compliance against Contract Procedure Rules Contract Monitoring requirements, identifying any issues for action to be taken through the Chief Officers' Executive/Corporate Leadership Team.

3.5.13 Via the Procurement Board, periodically review contract management and contract monitoring issues for key contracts, feeding back any issues/actions to the Chief Officers' Executive/Corporate Leadership Team.

3.5.14 Embedding learning and best practice for contract management via Practice Notes on the Managers' Toolkit and through a quarterly Contract Owners Forum to ensure governance compliance and consistency.

3.5.15 The above areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which will require attention over the next year to ensure they are operating effectively and mitigating risks to the Council. This, in turn, should ensure that any future problems in those areas are averted or minimised. They also represent some of the key areas which will help the Council to deliver its key priorities.

3.6 Looking back on 2017/18

3.6.1 Of the 2017/18 issues identified, four are considered to have made sufficient progress in 2018/19 to no longer be considered 'Significant'. Finance, (Capacity to make further budget savings and maintain front line services) remains a 'Significant Governance Issue' for

2018/19. Progress made in dealing with the governance issues identified in the 2017/18 Annual Governance Statement is detailed below:-

3.6.2 Finance

Issue

3.6.3 Capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2018/19 without a detrimental impact on key services. There are savings/income generating options required for 2019/20. However, there are significant challenges for 2020/21 and beyond.

Update

3.6.4 The draft 2019/20 budget and update on Council's financial strategy 2020/21 to 2022/23 report to Executive on 16th January 2019 identified the 'One Council' approach and new arrangements for a Transformational Review and Core Statutory Minimum Requirements review to explore further budget choices.

3.6.5 Work is ongoing to explore options to address the future year's budget gap through the four year forward planning arrangements.

3.6.6 Contract Management

Issue

3.6.7 Contract issues have been identified across the organisation in the last two years which have identified the need for strengthened control and management oversight.

Update

3.6.8 Contract Database:-

Manual authorisation system updated with templates and guidance available. Monitoring of the authorisation process through the Commissioning Board. Managing the authorisation process through the Database is in development with expected roll out in early 2019.

3.6.9 Document Management System:-

The Database is fully in place and embedded through the organisation. Regular data quality checks and follow up actions are in place.

3.6.10 Training:-

The first suite of training has been completed (now five modules). Sessions are being repeated in the first half of 2019.

3.6.11 Restructuring of the Commissioning Team:-

Restructure carried out. Structure to be reviewed in context of Transformation agenda.

3.6.12 Performance Management

Issue

3.6.13 Further work is required to ensure a comprehensive understanding of the strengths and weaknesses of services provided; effective use of performance management information and robust quality assurance arrangements across the Council, building on the work undertaken in Children's Services.

Update

3.6.14 The Adults Performance Framework was launched in June 2018. Implemented through a phased approach, there are ongoing improvements to management oversight.

3.6.15 In regards to the Children's Performance Management Framework, it is noteworthy that the Ofsted inspection in December 2018 highlighted the following 'Performance Information has

substantially improved since the last inspection and it can now be relied on to help leaders and managers to identify and understand important areas of risk and to prioritise actions. Senior Leaders, including the Chief Executive and Lead Member, have a clear understanding of frontline practice and they interrogate performance information effectively in order to continue to improve. The use of performance information is embedded throughout Children's Services and is accessible to all managers. Improved accountability means that there is sharp analysis and challenge ensuring that issues are tackled as they arise'.

3.6.16 Code of Corporate Governance

Issue

- 3.6.17 The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA /Solace guidance.

Update

- 3.6.18 A draft code has been produced reflecting the CIPFA/Solace guidance. This will accompany the Annual Governance Statement through the Audit Sub-Committee, General Purposes and Licensing Committee approval process.

3.6.19 General Data Protection Regulations (GDPR)

Issue

- 3.6.20 Significant changes were required to ensure that the Council is compliant with the General Data Protection Regulations 2016 (GDPR) when introduced on the 25th May 2018.

Update

- 3.6.21 Work was undertaken and prioritised in terms of risk to ensure that the Council met and continues to meet its data protection obligations. Risk impact assessments were conducted to ensure that Council processes are actioned giving consideration to adequate technical and organisational measures. Significant structures have been put in place to ensure the organic inclusion of privacy by design and by default that ensures it is robustly embedded in security. The evolution of this work is the delivery of the progressive Information Management strategy with work currently being carried out to implement and transition it into operation throughout the Council to support the IT Transformation project.
- 3.6.22 As stated in paragraph 3.6.18, the Council's Code of Corporate Governance has been reviewed and updated to reflect the 2016 CIPFA/Solace guidance and is aligned to the seven key principles of Good Governance (Appendix B). The document, approved by the Director of Corporate Services (Monitoring Officer), is underpinned by an appendix of key policies and processes which support the Council's compliance.
- 3.6.23 Supplementing this review, the Anti-Fraud and Corruption Policy and supporting appendices, namely the Fraud Protocol, Raising Concerns (Whistleblowing Policy), Anti-Bribery Policy and Procedures and Money Laundering Protocol (Anti-Money Laundering Policy) have been refreshed and were approved by the Audit Sub Committee on 26th February 2019.
- 3.6.24 The Annual Governance Statement is subject to audit alongside the Statement of Accounts. The auditors do not give an opinion on the statement as such, but consider whether it reflects their understanding of the Council's governance arrangements obtained through all aspects of their work. They also form a view as to whether the statement adequately discloses any significant governance issues.
- 3.6.25 Members will note the robustness by which the development of the AGS has been managed. As part of the conclusion to the process, it is important that the Audit Sub Committee provides independent consideration, challenge and approval of the document.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

None

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

None

7. PERSONNEL IMPLICATIONS

None

8. LEGAL IMPLICATIONS

8.1 The Accounts and Audit Regulations (England) 2015 require the Council to conduct at least annually a review of the effectiveness of its system of internal control and to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement must be prepared in accordance with the requirements of 'Delivering Good Governance in Local Government: Framework' (CIPFA/SOLACE, 2016).

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9. PROCUREMENT IMPLICATIONS

None

Non-Applicable Sections:	Impact on Vulnerable adults and children, policy, financial, personnel, legal, procurement
Background Documents: (Access via Contact Officer)	None