



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Annual Governance Statement 2018-2019 – For the three legacy Councils, Bournemouth Christchurch and Poole
Meeting date	25 July 2019
Status	Public Report
Executive Summary	<p>The Accounts and Audit Regulations 2015 require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>This report seeks approval for the Annual Governance Statements for the three legacy Bournemouth, Christchurch and Poole councils.</p> <p>For all three legacy Councils ‘the governance arrangements were fit for purpose and in accordance with the respective governance framework in place at each council’.</p> <p>After considering all the sources of assurance (of governance arrangements) in the legacy councils, BCP Corporate Management Board identified that the following significant governance issues existed.</p> <ul style="list-style-type: none"> • Bournemouth – Information Governance and governance related issues raised in the Ofsted inspection of Children’s Social Services; • Christchurch – none; and • Poole – Information Governance. <p>Action plans to address these significant governance issues, which continue to be relevant for BCP Council, has been produced and is being implemented.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>(a) The Annual Governance Statements 2018/19 for the legacy Bournemouth, Christchurch and Poole councils are approved and the Leader and Chief Executive are asked to formally sign them.</p> <p>(b) The BCP action plan to address significant governance issues is approved and a progress update will be presented to the January Audit & Governance Committee.</p>

Reason for recommendation(s)	<p>The Accounts and Audit Regulations 2015 require authorities to conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's Statement of Accounts.</p> <p>Due to the timing of the production of the AGS, BCP Audit & Governance Committee is required to approve the AGS for the legacy councils.</p>
Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	<p>Nigel Stannard (Head of Audit & Management Assurance)</p> <p>Ruth Hodges (Audit Manager)</p> <p>James Cranston (Audit Manager)</p>
Wards	All
Classification	For Decision

Background

1. The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. All three legacy councils had similar Local Codes of Governance which described their governance framework. Each used the diagram below, showing the seven principles of governance identified by best practice and associated framework to inform their respective Local Code of Governance.

Diagram 1, taken from the ‘International Framework: Good Governance in the Public Sector’



4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The AGS is published with the respective Council's Statement of Accounts and is required to be signed by the Chief Executive and Leader, who must be satisfied that the document is supported by reliable evidence. It is reviewed by External Audit as part of the 2018/19 Audit. The Audit & Governance Committee is required to review the AGS and monitor the Council's response to the issues identified in the action plan.
6. Due to the timing of the production of the AGS, it was necessary for BCP Corporate Management Team to determine any governance weaknesses for inclusion on the legacy Councils' AGS, and for BCP's Audit & Governance Committee to review and monitor the response.

Process for Compiling the AGS

7. Each AGS is compiled from a wide range of evidence sources across the Council to determine whether there is evidence to demonstrate they have followed their Local Code of Governance. Sources include:
 - a. Service Unit Annual Management Assurance Statements (MAS);

- b. Executive Director and Statutory Officer Disclosure Statements;
 - c. A follow up of the previous year's Annual Governance Statement Action Plan;
 - d. Chief Internal Auditor's Annual Report and Opinion 2018/19 (reported separately to this Committee);
 - e. Internal documentation and reports such as those reported during the year to the Audit / Audit & Governance Committee, such as the Corporate Risk Register, Breaches, Waivers and Exemptions, and Fraud, Corruption & Whistleblowing); and
 - f. External Inspection reports (such as those from the external auditor, OFSTED and CQC).
8. In Christchurch, any issues for inclusion in the AGS were determined by the legacy Council but, as this was necessarily done before year end, BCP Corporate Management Team considered whether any significant issues had arisen since the AGS was produced.
9. In Bournemouth and Poole, a list of potential issues was identified during the evidence gathering process and was considered by BCP's Corporate Management Team. These included, for example, issues such as:
- Safeguarding;
 - Serious Case Review;
 - Brexit;
 - Local Government Reorganisation in Dorset;
 - Asset Investment Strategy;
 - PHP Governance Board;
 - Fire Safety, and Health & Safety Management & Reporting Arrangements; and
 - Staff Appraisals.
10. These issues were assessed in terms of the extent to which they presented a weakness to the governance arrangements of the Council(s), using the following guidance:
- a. has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
 - b. has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
 - c. has/may led to a material impact on the accounts;
 - d. has/may attract significant public interest or has/may seriously damage the reputation of the Council;
 - e. has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or

- f. has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion(s) and areas requiring improvement

11. For all three legacy Councils '**the governance arrangements were fit for purpose and in accordance with the respective governance framework in place at each council**'.
12. Corporate Management Team determined that the following issues disclosed in the AGS 2017/18 have now been sufficiently addressed and are no longer considered significant governance issues:
 - a. Borough of Poole – Safeguarding - the governance arrangements are now sound, truly embedded and kept under regular review and scrutiny by the Safeguarding Boards (Adults & Children).
 - b. Christchurch – Leaking of confidential information to the press during 17/18 – the legacy Council Chief Executive addressed this issue during 2018/19 and deemed it no longer necessary to include in the AGS.
13. For other issues (examples shown in paragraph 9) Corporate Management Team determined these were risks or issues to be managed but were not caused by or exacerbated by significant governance issues or weaknesses.
14. **Information Governance** has been included as a significant governance issue for a second year for both Bournemouth Borough Council and Borough of Poole Whilst for both Councils the issues raised last year, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed, some elements of GDPR have not been fully implemented across the Councils. An action plan to address the issues, which continue to be relevant for BCP Council, is included in Appendix D.
15. Following the 'inadequate / requires improvement' outcome of the **Bournemouth OFSTED Inspection of Children's Social Services** in July 2018 this has been included as a significant governance issue in Bournemouth Borough Council's AGS. This included some governance related weaknesses. The Corporate Director Children's Services is leading a specific and detailed action plan to address all of the issues raised by OFSTED which will be monitored by the Children's Services Overview and Scrutiny Committee.
16. High level progress against this action plan will be reported to Audit and Governance Committee during the coming year.

BCP Council – Local Code of Governance

17. The BCP Local Code of Governance was agreed by the Shadow Authority in February 2019. Given the evolving governance arrangements at BCP Council, an update will be brought to Audit & Governance Committee in October 2019.

Summary of Financial Implications

18. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.

Summary of Legal Implications

19. The Accounts and Audit Regulations 2015 require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of Human Resource Implications

20. There are no direct human resources implications from this report.

Summary of Environmental Impact

21. There are no direct environmental implications from this report.

Summary of Public Health Implications

22. There are no direct public health implications from this report.

Summary of Equality Implications

23. There are no direct equalities implications from this report.

Summary of Risk Assessment

24. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.

25. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background Papers

None

Appendices

Appendix A – Bournemouth Borough Council AGS 2018/19

Appendix B – Christchurch Borough Council AGS 2018/19

Appendix C – Borough of Poole Council AGS 2018/19

Appendix D – BCP Action Plan arising from legacy councils' AGS 2018/19

Appendix A – Bournemouth Borough Council AGS 2018/19



Annual Governance Statement (AGS)

For the Year Ended 31 March 2019

Forward

- 1 Following Local Government Reorganisation (LGR), Bournemouth Borough Council ceased to exist on 31 March 2019 when Bournemouth, Christchurch and Poole (BCP) Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2018/19), this statement focuses only on the arrangements that were in place for Bournemouth Borough Council during this period and does not take into account BCP Council arrangements.
- 2 Any relevant significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by BCP (unless they have already been addressed or superseded), together with any issues identified by the other legacy councils of Poole and Christchurch.

Scope of Responsibility

- 3 Bournemouth Borough Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, accounted for, and used economically, efficiently and effectively. Bournemouth Borough Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised.
- 4 In discharging this overall responsibility, Bournemouth Borough Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.

- 5 Bournemouth Borough Council adopted a Local Code of Governance which was consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 6 The Annual Governance Statement explains how Bournemouth Borough Council complied with the Code and met the requirements of regulation 6 (1 & 2) and 10 (1) of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

The Purpose of the Governance Framework

- 7 The governance framework was comprised of the systems and processes, culture and values by which the authority was directed and controlled and activities through which it accounted to, engaged with and led its communities. It enabled the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 8 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It could not 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 was 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 and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 9 The governance framework was in place at Bournemouth Borough Council for the year ended 31 March 2019.

The Governance Framework

- 10 The Local Code of Governance described the Council's governance framework in relation to the six core principles of good governance as set out by the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 11 The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements was set out in the Council's Constitution. The Service Director, Strategic Finance was designated as the Council's CFO. The Council's financial management arrangements conformed to the governance requirements of the CIPFA *Statement of the Role of the Chief Financial Officer in Local Government* (2010). The Council's assurance arrangements also conformed to the governance requirements of the CIPFA *Statement on the*

Role of the Head of Internal Audit (2010). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit.

Review of Effectiveness

- 12 Bournemouth Borough Council had 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 was informed by the work of the executive managers within the authority who had responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's Annual Report and Opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- 13 The process applied by the Council in maintaining and reviewing the effectiveness of the governance framework during the 2018/19 financial year included the following:
 - a The Council reviewed its internal management processes regularly, and any changes or updates were communicated through staff development sessions and any management training that was undertaken.
 - b The Cabinet was responsible for the majority of the functions of the Council within the budget and policy framework set by Full Council. Executive decisions could be taken by the Cabinet and Cabinet Members acting under delegated powers, depending upon the significance of the decision being made.
 - c The Audit and Governance Committee was independent of the Council's Executive and was responsible for overseeing internal and external audit, risk management processes and reviewing the adequacy of internal controls.
 - d The Overview and Scrutiny Management Panel did not have any decision making powers, but conducted reviews and held enquiries and, where it considers it appropriate, the Panel reviewed the decisions of the Cabinet. The Overview and Scrutiny structure also allowed residents, community groups, local businesses and visitors to have a greater say in Council matters by looking into matters of local concern and making recommendations to Council.
 - e The Standards Committee was established by Full Council and was responsible for promoting and maintaining high standards of conduct amongst Councillors.
 - f The Chief Financial Officer was charged with ensuring, amongst other things, that there was effective stewardship and probity in the use of resources.
 - g The Monitoring Officer had a duty to keep under review the operation of the Constitution to ensure it was lawful, up to date and fit for purpose.

- h The Council reached a good level of performance against the ‘CIPFA Code of Practice on Managing the Risk of Fraud and Corruption’. This means the organisation had put in place effective arrangements across many aspects of the counter-fraud code and took taking positive action to manage its risks.
 - i The Internal Audit Service provided an independent appraisal function, which delivered management with a level of assurance on the adequacy of internal controls and of risks to the Council’s functions and systems.
- 14 In addition, a full year end assessment of the effectiveness of the governance arrangements at both the Service Unit and Corporate level has been undertaken. The findings from these assessments, together with an assessment of the findings from external audit and inspection reports, and the Chief Internal Auditor’s Annual Report and Opinion, have been used to inform the assessment of governance issues for the Council.
- 15 The result of the review of the governance framework has confirmed that the arrangements continued to be fit for purpose and in accordance with the governance framework.
- 16 While overall governance arrangements were considered sound, two significant governance issues were identified for inclusion. These were Information Governance, brought forward from 2017/18, and the Ofsted Inspection of Children’s Services, which is a new addition for 2018/19:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year’s AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan
Ofsted – Inspection of Children’s Social Services	The outcome of the Bournemouth Ofsted inspection of Children’s Social Services in July 2018 was inadequate / requires improvement, and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which	The BCP Corporate Director (Children’s Services) will assess improvement against the issues identified in the Ofsted inspection, and an action plan will be drawn up to address these. More details will be included in the BCP Action Plan

	was reported to Children's Services Overview & Scrutiny Panel.	
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17 Information Governance and Children's Services will therefore be incorporated into a BCP Action Plan, along with any relevant issues from legacy Poole and Christchurch councils.

We propose over the coming year to take steps as set out in the BCP AGS Action Plan to address the matters above and 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 the annual review for BCP Council 2019/20.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

Appendix B – Christchurch Borough Council AGS 2018/19
Annual Governance Statement
Christchurch Borough Council

2018-2019

1. Scope of Responsibility

Christchurch Borough Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, properly accounted for, and used economically, efficiently and effectively. Christchurch Borough Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Christchurch Borough Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which included arrangements for the management of risk. The overall aim of the Council's governance arrangements were to ensure that resources were directed in accordance with agreed policy and according to priorities, that there was sound and inclusive decision making and that there was clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Christchurch Borough Council had approved and adopted a code of corporate governance which was consistent with the principles of the CIPFA/SOLACE Good Governance Framework 2016.

The statement explains how Christchurch Borough Council had complied with the code and also met the requirements of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to carry out an annual review of the effectiveness of its system of internal control and prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority was directed and controlled and its activities through which it accounted to, engaged with and led its communities. It enabled the authority to monitor the achievement of its strategic objectives and to consider whether those objectives had led to the delivery of appropriate services and value for money. The attainment of sustainable economic, social, and environmental outcomes was a key focus of governance processes and structures.

The system of internal control was a significant part of that framework and was designed to manage risk at 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 was based on an on-going process designed to identify and prioritise the risks to the achievement of Christchurch Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework was in place at Christchurch Borough Council for the year ended 31st March 2019.

3. The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the CIPFA/SOLACE Good Governance Framework 2016 and demonstrates how it complies with the principles.

The framework defines the principles that should underpin the governance of the Council. The framework centres on the following 7 principles, with principles A and B permeating the implementation of principles C to G.

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council described its vision, aims and objectives for Christchurch and its partnership with East Dorset District Council in the Corporate Plan, the Local Plan and the Partnership Development Strategy. In doing so the Council defined outcomes in terms of sustainable economic, social and environmental benefits.

The Council had adopted a Constitution that sets out how the council operated, how decisions were made and the procedures which were followed to ensure that these are efficient, transparent and accountable to local people. This Constitution included a scheme of delegation, detailed the roles and responsibilities of the Council, its Members and Committees and also included

codes of conduct for Members and Officers. The Constitution also contained rules and procedures such as the Financial Procedure Rules and the Contract and Procurement procedure rules. The Constitution and its components were regularly reviewed and set the tone for behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

A Joint Audit Committee operated to provide independent assurance to the Council, along with East Dorset District Council, on issues such as the effectiveness of the internal control environment.

The Council aimed to ensure that all Members and Officers of the Council had the skills, knowledge and capacity they needed to discharge their responsibilities effectively. The Council recognised the value of a well-trained, competent workforce.

The Council aimed to have clear channels of communication with all sections of the community and other stakeholders, to ensure accountability and encourage open consultation. To support this aim, the Council had the skills to ensure appropriate consultancy took place to enable openness and comprehensive stakeholder engagement.

4. Review of Effectiveness of the Governance Framework

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 Corporate Team (who have responsibility for the development and maintenance of the governance environment), the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Christchurch Borough Council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2015).

Both in year and year-end review processes have taken place to review the effectiveness of the Council's Governance Framework. In year review mechanisms included:

- a. The Committee Chairmen were experienced Councillors who are responsible for considering overall financial and performance management and received comprehensive reports on a regular basis. Members were also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.
- b. The Scrutiny & Policy Overview Committee met on a regular basis throughout the year and reviewed decisions and actions taken in connection with the discharge of the Council's functions and policy committee decisions. The Committee's work programme supported the Council's Corporate Plan and policy committees in the development of its

budget and policy framework by in depth analysis of policy issues. Issues considered during the year included:

- Scheme of Delegation
- The Constitution
- Annual Report on Regulation of Investigatory Powers Act RIPA
- Local Government Reorganisation

Following the enactment of the Localism Act, Christchurch Borough Council created The Ethical Governance Committee. This Committee promoted and maintained high standards of conduct in the Council and assisted Members in observing the Code of Conduct.

Under the provisions of the Localism Act 2011 and the Members Code of Conduct, in 2018/19 there was 1 Member of the Christchurch Borough Council reported to the Monitoring Officer for allegations of breach of the Code of Conduct.

As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), the Partnership Democratic and Legal Services Manager (Monitoring Officer) and the Strategic Director - Finance (Chief Financial Officer) met when required.

The Monitoring Officer role was fulfilled by the Partnership Democratic and Legal Services Manager, who in turn reported to the Strategic Director – Finance (Chief Financial Officer). The Monitoring Officer had access to the Chief Executive and the Corporate Management Team, but was not a member of the Corporate Management Team.

The Strategic Director - Finance also played an active role in the on-going review and maintenance of the governance arrangements, for example, providing financial support to decision making and supporting and advising the Joint Audit Committee.

The Joint Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's internal control environment. In accordance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2015; the Joint Audit Committee also reviewed the effectiveness of the Council's system of internal audit.

Additionally, the Joint Audit Committee reviewed and approved the Internal Audit annual risk based audit plan, Internal Audit performance reports, risk management updates, and the reports from the External Auditor, including the Annual Audit Letter.

The Council's Internal Audit Section operated to the standards set out in the United Kingdom Public Sector Internal Audit Standards, and the Institute of Internal Auditors' Code of Ethics and International Standards. The Internal Audit Charter for the Internal Audit Service and the strategy for delivering the internal audit plan were agreed by the Joint Audit

Committee to deliver effective accountability by implementing good practices in transparency, reporting and audit.

The Internal Audit Service worked to a risk-based Internal Audit Plan that was approved by the Section 151 Officer, following consultation with Service Unit Heads. The Annual Audit Plan (and progress against it) was reported throughout the year to the Joint Audit Committee and the Corporate Team. This supported and assisted management in determining the interventions necessary to optimise the achievement of the intended outcomes of plans and service delivery.

In addition the Internal Audit Section undertook fraud investigation and proactive fraud detection work which included reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit were reported to management and the Joint Audit Committee.

The review and monitoring of strategic risks was undertaken by the Corporate Team and reported regularly to the Joint Audit Committee in order to manage risks and performance through robust internal control and strong public financial management.

Grant Thornton's Audit Findings Report and Annual Audit Letter were considered by the Corporate Team and the Joint Audit Committee on behalf of the Council. The Council ensured that corrective action plans were in place for key issues identified through these reviews.

Services used a range of national and local measures to monitor and report progress to Strategic Directors and Portfolio Holders on delivering their business plans.

The on-going review of the governance arrangements and the control environment included:

INTERNAL AUDIT OPINION

Management were responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes.

The opinion concluded on the overall adequacy and effectiveness of the Councils' framework of governance, risk management and control.

Assurance Rating	Number of Audit Reviews in 2018/19	% against total reviews completed
Substantial Assurance - There is a strong system of control designed to achieve the system objectives with controls being consistently applied.	1	4%
Adequate Assurance - Whilst there is basically a sound system, there are weaknesses which may put some of the system objectives at risk.	20	87%
Limited Assurance - Weaknesses in the system of controls are such as to put system objectives at risk.	2	9%
No Assurance - Control is generally weak leaving the system open to significant error or abuse.	0	0%
Total Number of Audit Reviews Completed	23	
Reviews currently 'work in progress'	1	
Total Number of Audit Reviews to be undertaken in 2018/19	24	

23 audit reviews were finalised and reported in 2018/19. 1 is currently work in progress.

The Assurance Framework demonstrated that key assurances have been reviewed across all of the Council's services.

In forming the annual opinion, third party assurance was collected from the Borough of Poole in relation to the SVPP Debtors audit review. 65 days of auditor resource was purchased from Portsmouth City Council.

Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of Internal Audit that:

- Managers were aware of the importance of maintaining internal controls, managing risks and working to good governance standards and accept recommendations made by Internal Audit to improve any weaknesses identified;
- The systems and internal control arrangements had generally been adequate;
- Where significant weaknesses were identified during the year, high priority recommendations were made and accepted by Management. Progress made against the high priority recommendations was monitored quarterly by the Joint Audit Committee; and that
- Counter fraud arrangements were in place to deter and detect fraud, however, these arrangements required updating.

It is therefore the opinion of Internal Audit that an overall assurance level of 'adequate' is given for the adequacy and effectiveness of the Councils' framework of governance, risk management and control.

A CIPFA/SOLACE checklist was used to assess the Authority's performance against seven core principles of good governance.

Annual Management Assurance Statements were reproduced and signed off by Service Unit Heads in respect of governance and internal control issues.

Review of external audit and other inspection agency reports received during the year, as follows:

(i) Grant Thornton – Annual Audit Letter 2017/18

The Annual Audit Letter was reported to the Joint Audit Committee in September 2018 and summarised the findings from the 2017/18 audit and included the messages arising from Grant Thornton's audit of the Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources.

The report gave an unqualified opinion confirming that the financial statements were free from material error. The report stated that the financial statements and supporting working papers presented for audit were of a good quality and received by the deadline. The report gave an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. Significant Governance Issues

Governance issues can be put into two groups:

- (i) Elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance; or
- (ii) Issues that the governance framework has identified and which require action to mitigate the exposure of the Council. These are all contained within the Strategic Risk Register.

In the first group there were no elements of the framework for which the judgement is that Christchurch Borough Council was not compliant.

5.1 Elements of the Governance Framework where Improvement is Necessary

There were no elements of the Governance Framework which were considered to need addressing.

5.2 Elements of the Strategic Risk Register

The second group were issues that involve a significant financial or reputational risk to the Council. A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise were highlighted so that appropriate mitigating action can be taken. These issues were largely substantial challenges to be managed over the long term. Many of the headings were the same as in previous years although the details change over time.

a) Not responding adequately to a Business Continuity Event.

A significant amount of work had been undertaken in recent years to improve the Council's resilience should an event arise that interrupts our business continuity. It is recognised that not responding adequately to such an event could still have a critical impact upon the Council, although the probability of this happening is reduced through the mitigating actions that have been put in place. Further mitigating actions required include reviewing the Council's data centre resilience measures.

b) Recruitment and Retention

The Council had recognised the increasing difficulty that some specialist areas of work are having in recruiting suitably qualified and experienced members of staff. This was expected to be compounded by Local Government Reorganisation in Dorset. This risk did not materialise to such an extent that it was an issue.

c) Development Management

Additional pressure and volumes within the Development Management service had increased the risk of delays and the potential for complaints which could result in legal action being taken against the Council. The Council had already put in place significant improvements and control measures to reduce this risk and recognised that this level of improvement must continue and be closely monitored. Service Improvements continued throughout the year.

d) Resilience of ICT Systems

The Council had recognised that the increasing transfer to new ways of working for officers, Members and our stakeholders places considerable reliance on multiple ICT systems and integrated communication networks. Some of this reliance is placed on third party suppliers. The Council recognised the risk to the potential interruption to our service delivery and was working to mitigate this risk as much as possible to reduce the impact of temporary interruptions on officers, Members and our stakeholders. Further mitigating actions to be taken include renewal of the ICT Strategy, reviewing data centre resilience arrangements and replacement of legacy servers.

e) Capacity

The Council recognised that the rapid pace of a change being brought about by LGR is affecting the capacity of some teams. The partnership had identified a number of mitigating controls to support staff as much as possible through what can be a challenging time and monitored indicators such as staff absence.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

Appendix C – Borough of Poole Council AGS 2018/19



ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19

1 FORWARD

- 1.1 Following Local Government Reorganisation (LGR), the Borough of Poole Council ceased to exist on 31 March 2019 when Bournemouth, Christchurch and Poole (BCP) Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2018/19), this statement focuses only on the arrangements that were in place for the Borough of Poole during this period and does not take into account BCP Council arrangements.
- 1.2 Any significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by BCP (unless these have already been addressed or superseded), together with any issues identified by the other legacy councils of Bournemouth and Christchurch.

2 SCOPE OF RESPONSIBILITY

- 2.1 Borough of Poole was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, accounted for and used economically, efficiently and effectively. The Borough also had a duty under the Local Government Act 1999 (as amended) to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging these overall responsibilities, Borough of Poole was 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.
- 2.3 Borough of Poole adopted a Local Code of Governance, which summarises the Council's governance framework consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 2.4 This statement explains how the Borough of Poole complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Borough was directed and controlled, and by which it accounted to, engaged with and led the community. It included arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provided reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Borough'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.
- 3.3 The governance framework was in place at the Borough of Poole for the year ended 31 March 2019.

4 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Borough of Poole had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review considered both in-year arrangements (4.1) and year end review processes (4.2) that took place to review the effectiveness of the Borough's governance framework.

4.1 IN-YEAR OPERATIONAL EFFECTIVENESS

The following aspects describe the **in-year, continuous** elements of the governance framework that helped to ensure the on-going robustness of governance arrangements of the Council.

1. **Decisions** taken, by both Councillors and Officers, in line with the Constitution and schemes of delegation.
2. The **Cabinet** and its **Portfolio Holders** were experienced Councillors who were responsible for considering overall financial and performance management and received comprehensive reports on a regular basis. Members were also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.

3. **Overview and Scrutiny Committee** arrangements on the Council's themes of People, Place and Business Improvement were in operation.
4. The **Standards Committee** met during the year to consider and review issues relating to the conduct of Councillors including referrals from the Standards Board.
5. The **Audit Committee** met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's governance arrangements, risk management framework and internal control environment. In accordance with the Accounts and Audit Regulations 2015, the Audit Committee also reviewed the effectiveness of the Borough's system of internal audit. The Audit Committee had delegated approval to approve the Authority's Statement of Accounts.
6. The **Audit Committee** considered a variety of governance related reports during the year, including a breaches, waivers and exemptions report, whistleblowing, and counter fraud and corruption arrangements. Additionally, the Audit Committee reviewed and approved the internal audit annual risk based audit plan, internal audit performance reports, risk management updates, and the reports from the External Auditor, including the Annual Audit Letter. The Chief Auditor attended all Audit Committee meetings.
7. As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), Head of Legal and Democratic Services (Monitoring Officer) and Head of Financial Services (Chief Financial Officer) met approximately every two months as the **Statutory Officers Group**.
 - The **Chief Executive** – was designated Head of Paid Service and functions included:
 - Overall strategic and corporate management and operational responsibility (including overall management responsibility for all officers);
 - Provision of professional advice to all parties in the decision making process;
 - Together with the Monitoring Officer responsibility for a system of record keeping for all the Council's decisions; and
 - Representing the Council on partnership and external bodies (as required by statute or the Council).
 - The **Monitoring Officer** – functions included:
 - Maintaining the Constitution;
 - Ensuring lawfulness and fairness of decision-making;
 - Supporting the Standards Committee;
 - Dealing with Complaints;

- Proper officer for access to information;
- Advising whether Cabinet decisions are within the Budget and Policy Framework;
- Providing advice; and
- Contributing to corporate management.
- The **Head of Financial Services** – functions included:
 - Ensuring lawfulness and financial prudence of decision making;
 - Administration of financial affairs;
 - Contributing to corporate management;
 - Providing advice; and
 - Giving financial information.
- The Council’s Constitution contained a statement on ‘**The Role and Function of the Chief Finance Officer**’. This explained the role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements.
- The Council’s financial management arrangements conformed to the governance requirements of the CIPFA ‘**Statement of the Role of the Chief Financial Officer in Local Government**’ (2016). The CFO and Monitoring Officer were formal co-opted members of the Council’s Management Team.

8. **Management Team** met weekly and were responsible for:
- Managerial leadership vision and strategic direction of the Council;
 - Formally responding to Cabinet policy direction to fulfil the Council’s corporate strategy;
 - Council wide policy and initiatives for Cabinet consideration;
 - Defining corporate culture and core values;
 - Ensuring the Council meets its statutory obligations;
 - Exercising sound corporate governance and effective corporate resource management; and
 - Ensuring the performance of the Council was managed effectively.

Management Team, together with the Head of ICT & Customer Support, Head of HR and the Programme Manager, met monthly as the **Corporate Change Board**. They were responsible for the coordination of the Council’s major change programmes.

9. The officer **Property Steering Group** supported the organisation with delivery of the Corporate Property Strategy (including estate management, property maintenance and accommodation).

10. The Council's **Internal Audit** service:
 - Operated to the standards set out in the United Kingdom Public Sector Internal Audit Standards (PSIAS).
 - Had a terms of reference and strategy for delivering the Internal Audit Plan agreed annually by Audit Committee.
 - Worked to a risk-based Internal Audit Plan that was approved by the Section 151 Officer, following consultation with Service Unit Heads. The annual Internal Audit Plan and progress was reported throughout the year to the Audit Committee. The plan was developed to enable an opinion to be given on the Assurance Framework approved by the Audit Committee and took into account the high risk issues, corporately and at service unit level, fraud risks, and key financial systems controls.
 - Undertook fraud investigation and proactive fraud detection work, as detailed in the Counter Theft, Fraud and Corruption Policy, which included reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit were reported to management and the Audit Committee.
11. Arrangements were in place in Service Units to record, monitor and mitigate risk. The **Corporate Risk Register** was updated quarterly following agreement at Management Team, and was reported to Audit Committee.
12. Governance arrangements for key **partnerships** were in place, including a governance checklist for significant new partnerships.
13. The **Complaints** and **Data Protection Breach reporting process** were designed to identify and address any weaknesses which may arise.
14. **External reviews and inspections** were carried out throughout the year and the results are reported appropriately and action taken where necessary (see 4.2e & f). These include Grant Thornton's **Audit Findings Report** which was considered by Management Team and the Audit Committee on behalf of the Council.
15. The Council continued to proactively **develop** and **update** governance arrangements, for example, developing robust Local Government Reorganisation programme governance arrangements.
16. Service Units used a range of measures to **monitor and report performance** on delivering their business plans to Strategic Directors and Portfolio Holders.
17. **Financial management** reports are received regularly by Cabinet.

4.2 YEAR END REVIEW OF EFFECTIVENESS

The following describes the year-end review of the governance arrangements and the control environment which was largely structured around the areas set out in the Councils Assurance Framework shown in the table below:

		ASSURANCE SOURCE		RESPONSIBLE SERVICE UNIT/BODY		
AUDIT COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Asset Management		Financial/Growth & Infrastructure	
			Business Continuity		Financial	
			Business Planning/Performance Management/Partnerships		Corporate	
			Counter Fraud		Financial	
			Financial Management		Financial	
			Health & Safety		Environment & Consumer Protection	
			Human Resources		Human Resources	
			ICT		ICT & Customer Support	
			Information Governance		Legal & Democratic	
			Internal Audit		Financial	
			Management Assurance Statements		Service Unit Heads	
			Procurement		Financial	
			Project & Programme Management		ICT & Customer Support	
			Risk Management		Financial	
			EXTERNAL ASSURANCES	External Audit		Grant Thornton
		External Reviews & Inspections		e.g. OFSTED		
		Regularity Bodies		e.g. Information Commissioner		
		Quality/Accreditation Schemes		e.g. Positive About Disabled People		
		External Benchmarking		e.g. CFO Insights		
		OTHER	Corporate Governance Disclosure Statements		BoP Statutory Officers	

- a. **Internal Audit.** A review of Internal Audit report findings and recommendations, particularly in relation to those carried out for the assurance areas listed above, did not identify any significant governance issues.. Note: As an Internal Audit review was conducted on a risk based sampling process and did not involve a review of every Council activity, transaction or project, the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.
- b. **The Chief Auditor's Annual Report 2018/19** was reported to the Audit Committee. This stated that it was the opinion of the Chief Internal Auditor that arrangements are in place to ensure an adequate and effective internal control environment exists for those areas set out in the Council's Assurance Framework. The systems and internal control arrangements continue to be effective and agreed policies and regulations are complied with. Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls. Adequate arrangements are in place to deter and detect fraud.

- c. **Annual Management Assurance Statements (MAS)** were produced and signed off by Service Unit Heads in respect of governance and internal control issues.
- d. The **statutory officers** (Chief Executive, Head of Legal and Democratic Services and Head of Financial Services) and **Strategic Directors** declare any areas of significant governance weakness they are aware of. **Statutory Officer Group** and **Management Team** considered the significant governance issues to be included on the Annual Governance Statement.
- e. There were no significant governance issues arising from the following **External Audit** reports received during the year:
- Grant Thornton:**
- Audit Findings Report
 - Annual Audit Letter
 - Certification Report
- f. Other **external inspections**, including the Independent Review of the Housing Management Function., did not identify any significant governance issues.
- g. A review of fraud and special investigations carried out by Internal Audit during the year and the annual report on **Counter Fraud work** (received annually by Audit Committee in September) did not identify any significant governance issues.
- h. The Council reached a good level of performance against the '**CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**'. This means the organisation put in place effective arrangements across many aspects of the counter-fraud code and took positive action to manage its risks.
- i. A review of **Breaches, Waivers and Exemptions** of the Financial Regulations (received annually by Audit Committee in July) did not identify any significant governance issues.
- j. A review of the **Corporate Risk Register** (received quarterly by Audit Committee) did not identify any significant governance issues.
- k. Follow up of **2017/18 AGS Action Plan**.

5. EVALUATION, CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES

5.1 Following review of effectiveness of governance arrangements, it is considered that, for the year ended 31 March 2019, the Borough of Poole had effective, fit-for-purpose governance arrangements in place which:

- supported delivery of its purpose, priorities, values and service objectives;
- were in accordance with the Borough's of Poole Local Code of Governance; and
- supported the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

5.2 While overall governance arrangements were considered sound, one significant governance issue brought forward from 2017/18, Information Governance, was identified for inclusion:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year's AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan.

5.3 Information Governance will therefore be incorporated into the BCP AGS Action Plan, along with any relevant issues from legacy Bournemouth and legacy Christchurch councils.

5.4 No new significant governance issues for inclusion on the Annual Governance Statement were identified during the review.

5.5 The other issue raised in 2017/18, Safeguarding, has been removed as a significant governance issue for this year because the Council believes the governance arrangements for safeguarding are generally sound, kept under regular review and scrutiny, and improvements made where necessary.

This statement explains how the Borough of Poole complied with the requirements of the code and meet the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework and BCP has a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps 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 our review of effectiveness and will monitor their implementation and operation as part of the annual review as BCP Council in 2019/20.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

Appendix D

BCP Action Plan – arising from legacy Bournemouth, Christchurch and Poole Councils’ AGS

Issue	Detailed Issues	Summary Action Plan	Detailed Action	Responsible Officer/s	Target Date
Information Governance	The issues raised in last year’s AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed.	The Senior Information Risk Owner (SIRO) to determine the options for providing the Information Governance Board (IGB) with appropriate compliance and performance information to allow them to meet their Terms of Reference. These options could include: <ul style="list-style-type: none"> • No compliance function and explicit understanding that no assurance on BCP arrangements will be provided • Compliance function assigned to Information Governance Team (or alternative identified) 	SIRO (the Corporate Director – Resources at BCP Council)	August 2019
			A report (provided by the above) detailing progress on implementing GDPR by BCP will be provided to the first meeting of the IGB.	SIRO	October 2019
			IGB to determine any additional action or support to ensure full implementation of GDPR.	SIRO	October 2019

Issue	Detailed Issues	Summary Action Plan	Detailed Action	Responsible Officer/s	Target Date
Ofsted – Inspection of Children’s Social Services	<p>The outcome of the Bournemouth Ofsted inspection of Children’s Social Services in July 2018 was inadequate / requires improvement, and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children’s Services Overview & Scrutiny Panel.</p>	<p>The BCP Corporate Director (Children’s Services) will assess improvement against the issues identified in the Ofsted inspection, and an action plan will be drawn up to address these.</p>	<p>The Corporate Director Children’s Services is leading a specific and detailed action plan to address all of the issues raised by OFSTED. This is monitored by the Children’s Services Overview and Scrutiny Committee.</p>	<p>Corporate Director – Children’s Services</p>	<p>As per the details presented to O&S</p>