Appendix 1

REPORT OF THE CORPORATE GOVERNANCE WORKING GROUP

THE ANNUAL REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK, INCLUDING THE SYSTEM OF INTERNAL CONTROL – 2018/19

INTRODUCTION AND CONTEXT

Appendix 1 has been drafted in response to the need to formerly define the Framework leading to the production of the Annual Governance Statement (AGS).

Appendix 2 details the assurance gathering process used to prepare the AGS.

Appendix 2a details an example of a Controls Assurance Statement

Appendix 3 details the extent to which the various sources of assurance contribute to the mitigation of risk.

Good practice suggests that a review of the effectiveness of the Governance Framework should be undertaken prior to producing the AGS

WORKING PAPERS

The review has been undertaken following consideration of a number of Supporting Papers:

- Annual Review of the Code of Corporate Governance (Supporting Paper 1)

- Progress against significant control issues contained within the 2017/18 AGS (Supporting Paper 2)

- Annual Audit Letter 2017/18 (Supporting Paper 3)

- Internal Audit Outturn Report 2018/19 and Performance against the UK Public Sector Internal Audit Standards (Supporting Paper 4)

- Other Sources of Assurance – Statutory Officers (Supporting Paper 5)

- Other Sources of Assurance - Miscellaneous (Supporting Paper 6)

OVERALL CONCLUSION

It is considered that all required components to demonstrate good governance are in place as are appropriate action plans. Sources of assurance have been clearly defined and are varied.

SUPPORTING PAPER 1

ANNUAL REVIEW OF THE CODE OF CORPORATE GOVERNANCE

The annual review of corporate governance was been undertaken in accordance with the CIPFA / SOLACE document entitled "Delivering Good Governance in Local Government: Framework 2016". Following an evaluation of the requirements within the updated framework a revised Code of Corporate Governance was presented to the Audit & Standards Committee at their meeting of 30th July 2018 which included a detailed action plan. Progress against the action plan has been reviewed during 2018/19 and an updated Code of Corporate Governance and subsequent action plan has been reported to the Audit & Standards Committee on 12th June 2019.

Attachments

Single Sheet Local Framework

Corporate Governance Action Plan 2018/19- Progress Extract

Staffordshire County Council Corporate Governance Framework
Principles, Statutory Obligations and Organisational Objectives

Meeting Statutory Obligations	Implementing local vision	Working together to achieve a common purpose	Adherence to Ethical Values
Meeting Organisational Objectives	Taking effective decisions	Developing Members and Officers	Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents: Annual Review / Production

Annual Outturn Performance and Finance Reports
Annual Information Governance Statement
Corporate Information Security Policy
Corporate Property Strategy
Corporate Risk Register
Delegations from/to Directors
Strategic & Delivery Plans
Innovation & Efficiency Board
ICT Strategy
Medium Term Financial Strategy
Members Allowances Scheme
Prudential Code & Treasury Management Strategies
Risk Management Policy Statement
Statement of Accounts
Strategic Plan
Staffordshire Strategic Partnership Priorities

Key Documents: Ad-Hoc Review / Production

Business Continuity Plans
Change Management Framework
Communications Strategy
Community Engagement Framework
Constitution
Corporate Procurement Strategy and Regulations
Equality and Diversity Information
Financial Regulations
Health and Safety Policies
Information Governance Framework
Fraud, Bribery & Corruption Policy
Internet Transparency Pages
Member/Officer Relations
Members' Code of Conduct
Officer Employment Procedure Rules
Officers' Code of Conduct
Schemes of Delegation
Performance Management Framework
Record of Decisions
Whistle Blowing Policy

Contributory Processes/ Regulatory Monitoring

Annual Governance Statement	Job Descriptions
Audit and Standards Committee	Job Evaluation Process
Budget Accountability Statements	Law & Governance
Corporate Governance Working Group	Member Training
	Monitoring Officer
Corporate H&S Process	My Performance Conversation
Corporate Intranet	Schedule of Council Meetings
Council Tax Leaflet / Information	Scrutiny Framework
Customer Feedback Process	Staff Induction
County Treasurer	Staff Surveys
Consultative Forums	Staffordshire Web
External Audit	Organisational Development
Finance and Resources	Safer Recruitment
Head of Paid Service	Staffordshire Magazine
H&S Champion	
Independent Remuneration Panel	
Inspectorate Reports	
Internal Audit	

CORPORATE GOVERNANCE ACTION PLAN 2018/19- Updated for Progress

Action	SLT Lead (contained in the 18/19 action plan)	Progress
Consideration of the value of the key governance documents used by the Council to support the People helping People agenda e.g. Codes of Conduct & behaviour / gifts and hospitality/ declaration of interests/ whistleblowing arrangements / Fraud, bribery and theft/ complaints policies etc	Director of Strategy, Governance and Change	Complete - A review has been undertaken and concluded that no further action will be taken.
To complete and embed the recommendations made in the 2018 Gifts and Hospitality audit report which include the declarations of interest arrangements.	Director of Strategy, Governance and Change	Ongoing - Work has progressed in this area, but a number of issues remain outstanding. The code of conduct for members is currently being reviewed and will be approved by the Audit & Standards Committee in-accordance with their work programme.
To revisit the exercise of determining what our arrangements are regarding for ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards and values expected by the organisation as part of contractual documentation.	Director of Strategy, Governance and Change	Ongoing - When we produced our current set of standard contract terms we compared them to ensure aspects covered in the Crown Commercial terms were included. The Crown Commercial standard services agreement doesn't include any contractual requirements around integrity or ethical standards.
The new County Council Values will reflect the Code of Corporate Governance	Director of Strategy, Governance and Change	Complete - The values were approved by Cabinet as part of the People Strategy on 20th March 2019.
Communication with key stakeholders should be robust – action identified specifically to the STP i.e. – contribution to the SLT Transformation sub group that is developing the consultation plan for May/June 2019	Director of Health & Care	Complete - A pre-consultation task group has been established together with a comms group for the STP. Informal Cabinet/Members, Select Committees and SLT have been briefed by Simon Whitehouse regarding the STP. The Chief Exec, Director of Health & Care, Director of Families & Communities and Director of Economy, Infrastructure and Skills attend the Health and Care Transformation Board made

		up of partners from across the STP. There is also substantial SCC representation at the Health and Wellbeing Board.
Review of consultation and engagement approach linked to the development of the new offer/social contract/digital offer.	Director of Strategy, Governance and Change	Response requested 3/4/19
Consideration of the development of a Social Value policy	Director of Strategy, Governance and Change	Ongoing - Work is underway with Social Enterprise UK to develop a proposal. A draft Policy has been commenced. Implementation date extended to September 2019.
To review the commissioning principles to ensure that the agreed commissioning cycle is consistently used.	Director of Strategy, Governance and Change	Complete - Procurement procedures and associated training has been produced and is underway. This should ensure that for external purchases a strategy is produced. Ongoing - However, commissioning is wider than external purchases. The current commissioning cycle links to the council's operating model which isn't necessarily still applicable. The commissioning principles haven't changed however the whole concept of a commissioning organisation and cycle needs to be reviewed.
To ensure greater visibility and ownership of the Corporate Risk Register, together with regular monitoring and updating of individual risk areas.	Director of Strategy, Governance and Change and Director of Finance & Resources.	Ongoing - Work has progressed in this area. Have reported risks to Audit & standards Committee at both the 30 July 18 and 3 December 18 meetings.
To complete the update exercise of the current Schemes of Delegation to ensure that they are fit for purpose in light of revised organisational requirements.	Director of Strategy, Governance and Change	Actioned in August 2018. A further review will now commence to ensure that it remains fit for purpose given recent organisational changes.
To undertake a review of the MPC process as part of the wider workforce strategy exercise.	Director of Strategy, Governance and Change	Ongoing - A review of MPC is a year 1 priority in the People Strategy.
To review the current HR policies in operation to ensure that they reflect the	Director of Strategy, Governance and Change	Ongoing - A plan to review HR policies is a year 1 priority in the People Strategy. Work has

needs of the business.		commenced on developing a prioritised work plan to review the policies. The plan will be completed by 31 March 2019 with a view to commence review of policies with effect 1 April 2019.
To refresh the risk management policy and strategy.	Director of Finance & Resources	In progress – revised completion date 31st July 2019
Corporate population outcomes developed with SLT and Delivery Plan measures are currently being identified with the Business. A new integrated performance management approach is also in development and is being tested with SLT and lead cabinet members. The new approach will be fully implemented for Q1 2018/19.	Director of Strategy, Governance and Change	Completed – The new integrated monthly performance management report was implemented during 2018/19.
Implications on the protective marking scheme of implementing Office 365 are currently being identified. Where additional action is required this will be incorporated into a detailed action plan.	Director of Strategy, Governance and Change	Implemented - Ongoing review at each stage of the roll out of each element of Office 365 suite and is built into the plan of the project group
To present the updated Financial Regulations to the Audit & Standards Committee for approval. Subsequently ensure that the Business is fully aware of the new requirements and adherence to them is monitored.	Director of Finance & Resources	Approved by Audit & Standards Committee on 30th July 2018 and subsequently by Full Council in October 2018. Documentation has been uploaded to the website and awareness of the changes publicised through the CEO bulletin/Teamtalk. A further revision will be required following the conclusion of the Corporate Services Wider Leadership Team review.
Annual Governance Statement to be separately published on the Council's website once it has been approved by the July meeting of the Audit & Standards Committee.	Director of Finance & Resources	Actioned

SUPPORTING PAPER 2

PROGRESS AGAINST SIGNIFICANT CONTROL ISSUES CONTAINED WITHIN THE 2017/18 AGS

It is a role of the Corporate Governance Working Group to ensure that action plans for those significant internal control issues reported in the AGS are both defined and implemented.

Ref:	Key Action	SLT Lead Officer	Progress
AGS 1	To continue to work with the various NHS bodies as part of the Sustainability and Transformation Plan in order to improve the health and care provision within Staffordshire.	Director of Health & Care	Ongoing – Work continues in this area and is overseen through our involvement in the STP.
AGS 2	To continue to undertake transformational change in order to address the significant financial pressures facing the Council whilst meeting statutory requirements.	Director of Finance & Resources	Ongoing - This is a key action within the MTFS and is monitored by SLT including delivery of the major projects via the TSU. Risks relating to the delivery of planned savings is highlighted within the monthly performance reports to SLT/Cabinet?
AGS 3	To commence the transformation of Children's Services thorough the place based and community model to better manage demand within the Children's system.	Director of Families & Communities	Ongoing - Work is progressing in this area and is a key priority for core support resources to ensure the project is delivered.
AGS 4	To ensure that the Council has sufficient capacity and capability to deliver transformational change as well as securely delivering on business as usual processes against the backdrop of ensuring a balanced Medium Financial Strategy.	Chief Executive and Senior Leadership Team	Ongoing - We have designed a balanced MTFS across the coming 5 years, and, although it is challenging, it is deliverable. Part of the measures which will be implemented are reductions in the corporate centre of 25%, but this masks areas which will experience reductions of over 50% in order to protect other areas necessary for business continuity and transformation. As a result, we will have to choose the activities that we support more carefully than we did in the past, and we will have to accept that certain activities will

			be done less thoroughly than previously. The progress that we have made in Smart Working in the past 3 years not only assists us in better use of digital means and methods, and in reduced infrastructure, but most importantly, has increased the agility and confidence of our colleagues. We will therefore be relying on colleagues to lead their own change activities more than previously.
AGS 5	To fully explore the opportunities offered via the digital and community enablers to deliver transformational change across all services provided by the Council.	Chief Executive and Senior Leadership Team	Ongoing - Digital and People Helping People are 2 of the 4 enablers in our Corporate Strategy, underpinning the thinking, design, implementation and execution of new and existing activities and policies. Both enablers require a different approach to our thinking. Digital solutions will continue to be resident-focussed – aimed at allowing users to solve their problems and create solutions for themselves online, rather than automating the current analogue process. The challenge is of course that switching on the digital service is often technically difficult but politically easy, while turning off the analogue service, and making the financial savings and service transformation, is the other way around. People Helping People seeks to build on such ground-breaking initiatives as community-led libraries, forging a different relationship between the resident and the state, where we enable people to succeed rather than providing a service. It requires fortitude and patience, identifying key individuals, groups and communities and bringing them with us.
AGS 6	To develop a values led model of workforce engagement and development that ensures that the Council is able to meet the challenges, skills and cultural requirements needed as it continues to transform.	Chief Executive and Director of Strategy, Governance & Change	Complete

A Peoples Strategy has now been published. This document sets out how the County Council will ensure that it is a great place to work with the right culture, support and skills to continue to make a difference for our Communities.

The strategy has been developed in conjunction with the workforce. |
| AGS 7 | To conclude the review and update of the various Schemes of Delegation operating | Chief Executive and Director of Strategy, | Complete

The Schemes of Delegation have been updated and included in the Constitution. |

	within the County Council to ensure that they reflect the requirements of the County Council	Governance & Change	Details have been published on the intranet.
AGS 8	Ongoing review and monitoring of Business Continuity arrangements, including those of our key partner providers to ensure that they are sufficiently resilient given the changing nature of potential risks in this area.	Director of Strategy, Governance & Change	Business continuity management remains a high priority on the Emergency Planning and Resilience agenda at SCC. Service areas are regularly reviewed to monitor criticality, and business continuity arrangements are revised and monitored accordingly on an annual basis. All critical areas are encouraged to consider alternate arrangements in the event of a failure of commissioned services, and work is ongoing within the Commercial Services team to promote the importance of business continuity and resilience in the procurement and commissioning process.

A number of subject matter experts are engaged in planning for the UK's exit from the European Union, based on a worst-case scenario of a 'poor or no-deal exit'. Local and National Government advice is being utilised to inform planning and policy decisions, with SME's attending multi-agency risk working groups and strategic coordinating group meetings to increase preparedness.

Given the ongoing level of monitoring in this area and regular reporting to those charged with Governance, the matter will be monitored as business as usual. |
| AGS 9 | To fully implement all internal audit recommendations, included in those limited assurance reports, identified by internal audit as part of the suite of reviews on the replacement Financial and HR/Payroll systems (MyFinance and MyHR) as part of the 2017/18 plan, thereby strengthening the control environment in these areas. | Director of Finance & Resources | Work continues to implement the agreed action. Over sight of progress is provided through the MyFinance and MyHR Change Board which meets on a monthly basis. Non-adherence to the timescale for implementing High level recommendations is reported to the Audit & Standards Committee. |

Conclusion
The review of actions detailed within the 2017/18 AGS has confirmed that whilst significant progress has been made, a number are long term in their nature and therefore for the purposes of the 2018/19 AGS key actions AGS 1, AGS 2, AGS 3, AGS 4 and AGS 5 should be carried forward.

ANNUAL AUDIT LETTER 2017/18

The Annual Audit Letter 2017/18 was submitted to the Audit and Standards Committee on 24 September 2018.

Extract from Annual Audit Letter

'Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2017.

Executive Summary

We are required to issue an annual audit letter to Staffordshire County Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified opinion - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the Financial Statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We are required to consider whether the Council has put in proper arrangements to secure economy, efficiency and effectiveness of its use of resources. This is known as our value for money (VFM) conclusion. We concluded that you have put in place proper arrangements to secure value for money in your use of resources. '

Conclusion (from SCC perspective)

The Extract from the Annual Audit Letter gives assurance in respect of the 2017/18 Financial Accounts and confirms an effective system of internal control.

INTERNAL AUDIT OUTURN REPORT 2018/19 AND PERFORMANCE AGAINST THE UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Extract and Conclusion

Based on the above, an **"Adequate Assurance"** opinion has been given on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2018/19. This year's audit plan has been dominated with audit activities which support not only the Council's digital transformation programme but also the Adult Social Care (ASC) Pathway. Adopting agile auditing approaches within our audit processes, has allowed the Internal Audit Service to provide a just-in time and proactive approach to support the right projects at the right depth and focus, at the right time. This approach has been adopted specifically within our on-going project work as part of the Adults and Children's Financial Services Transformation Programme; the ASC Digital by Design Project and the Office 365 Project during 2018/19. Some high-level issues have been raised in 2018/19 within these areas and the Internal Audit Service will continue to support the design and implementation of a robust control environment in 2019/20.

Following the successful launch of My HR and My Finance in September 2017 and November 2017 respectively, the high-level issues raised in relation to the system security arrangements for both My HR and My Finance have continued to be monitored in year along with all the other agreed recommendations made as part of the suite of work forming the "SAP Replacement Programme". In addition, for the first time, an audit review on the My Finance control function which sits within Accountancy was carried out in-year, and a substantial assurance opinion was given over the control and monitoring arrangements in place within the Team. Whilst it is pleasing to note that many of those recommendations made as part of the SAP replacement programme have been implemented now, the My HR systems security review has again been awarded a limited opinion. In respect of this, although three out of the five previously high-level recommendations have now been implemented as well as mitigating controls in place to reduce the risks of the remaining two high level recommendations, there are three control areas that remained outstanding from the previous year that Internal Audit has still been unable to give assurance on, due to a lack of evidence provided by the contractor, as well as some other control issues relating to access, security and back-up arrangements. In respect of this matter, the County Treasurer needs to continue to liaise with the contractor to obtain evidence of these controls in place or accept the risks associated with these weaknesses going forward.

The payroll control environment for the Council's core payroll has improved in 2018/19, which has resulted in the system being awarded an adequate assurance opinion this year (a limited assurance opinion was previously awarded in 2017/18). The Schools' compliance element of the assessment has achieved the benchmark also. Although control weaknesses relating to payroll processes operating at schools have continued to be identified in 2018/19, it is worth noting that fewer control weaknesses have been identified this year when compared to previous years. Also, the main financial systems element of the assessment has achieved the benchmark, with an improved direction of travel relating to both the administration of the Staffordshire Pensions Fund Local Government Pension Scheme and the nominal

ledger highlighted in 2018/19. However, it is concerning that the level of outstanding debt continues to grow, and further improvements are required in respect of the debt recovery process. For these reasons, this area of operation has been given greater prominence and for the year ahead has been re-categorised as a top risk area.

Several other system audit reviews during 2018/19 have identified high level issues which have resulted in these reviews being awarded limited assurance opinions. It is noted that the overall number of limited assurance opinions being awarded within this category has increased again, up by 50% when compared to last year. An analysis of the high-level control issues arising from these reviews indicates that although there are a few system control weaknesses that need to be addressed, such as the physical security controls at one of the Council's locations and improvements to internet banking controls within another service area, predominantly the high-level control issues relate to officer non-compliance with agreed policy, best practice and procedures. The non-completion of key tasks and the failure to complete tasks consistently and correctly along with poor record keeping and a lack of management checks carried out were common themes arising from these reviews. One reason for this may be due to issues of capacity within the Council to undertake key activities. The issue of capacity was also identified last year as a potential concern. It is important that the key actions identified in these audits are addressed, implemented as agreed and progress monitored to ensure that the necessary steps have been taken to strengthen the control environment. This will continue to be a key focus for the 2019/20 Internal Audit Plan.

We have an effective system of internal audit in place, as measured against set Conditions and reported to the Audit & Standards Committee with the Internal Audit Outturn Report on 12 June 2019, which include:

- How well we follow the new Public Sector Internal Audit Standards together with the Local Government Application Note;
- Results of the External Quality Assessment performed by a representative of CIPFA has concluded Full Compliance with the Standards
- Our main performance results;
- Feedback from the Chief Finance Officer (County Treasurer).

SUPPORTING PAPER 5

OTHER SOURCES OF ASSURANCE - STATUTORY OFFICERS

The Chief Finance Officer (County Treasurer)/Context

Any major organisation requires a set of clearly understood rules and regulations for the management of its financial affairs. In response to the requirements of Section 151 of the Local Government Act 1972, the County Council has designated the Chief Finance Officer to be responsible for the administration of these affairs.

In response to the requirements of Section 25 of the Local Government Act 2003, the Chief Finance Officer has a duty to report to the Authority on:

- the adequacy of the proposed reserves

- the robustness of the budget

In response to Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer has a duty to report to the Council if the Authority or one of its officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure

- has taken, or is about to take, an unlawful action which has or would result in a loss or deficiency to the Authority

- is about to make an unlawful entry in the Council's accounts

In addition, the Chief Finance Officer is required to make a report under Section 114 if it appears that the expenditure incurred and/or proposed in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

The Monitoring Officer/Context

The role of the Monitoring Officer is a statutory one, the office having been created under Section 5 of the Local Government and Housing Act 1989. Every Local Authority must have a Monitoring Officer and since 2001 that office cannot be held by the person who is the head of that Authority's paid service, nor by the Section 151 Officer, though there are no other formal qualification requirements.

If it at any time appears to (the Monitoring Officer) him that any proposal, decision or omission

- by the Authority;

- by any Committee or Sub-committee of the Authority;

- by any person holding any office or employment under the Authority;

- by any Joint Committee on which the Authority are represented, or;

- in the course of the discharge of functions of the Authority by or on behalf of the Authority's Executive.

constitutes, has given rise to or is likely to or would give rise to –

- a contravention of any enactment or rule of law by the Authority, by any Committee or Sub-committee of the Authority, by any person holding any office or employment under the Authority, by any such Joint Committee, or by the Authority's Executive or any person on behalf of the Executive, or

- any such maladministration or injustice as is mentioned in Part 3 of the Local Government Act 1974 where the Ombudsman has conducted an investigation;

then the Monitoring Officer is required to prepare a report to the Authority's Executive (if it relates to executive functions), or in all other cases to the Authority, with respect to that proposal, decision or omission, and in doing so is required to consult so far as practicable with the Authority's Head of Paid Service and their Chief Finance Officer.

<u>Conclusion</u>

Neither the Monitoring Officer nor the Chief Finance Officer has had occasion to use their statutory powers of intervention in 2018/19.

OTHER SOURCES OF ASSURANCE – MISCELLANEOUS

SECTION A SELECT COMMITTEES

We have effective processes in place. We have a number of Select Committees, the responsibilities of which reflect our focus on key outcomes. We make sure Cabinet Members are held accountable for their actions and we give members an opportunity to assess the impact of the Council's work in their local area. We will continue to develop these initiatives.

SECTION B CORPORATE DIRECTORS/RISK OWNERS

Assurance Statements are in the process of being reviewed as part of the review of our Risk Management processes (see below). In the interim, Statements continue to be completed for the Corporate Governance risk heading. The Assurance Statement is reproduced at **Appendix 2a**.

SECTION C CORPORATE RISK MANAGEMENT /STRATEGIC RISK REGISTER

The format of the Corporate Risk Register continues to be revised as the County Council undertakes it transformation programme. The Audit and Standards Committee has received ongoing updates regarding significant risks during 2018/19. A further briefing will be provided at its July 2019 regarding the Infrastructure + contract.

SECTION D EXTERNAL REVIEWS/INSPECTIONS

The County Council invited a Local Government Association (LGA) Peer Challenge Team to review how we work with our communities, partners and internally to deliver the priorities set out in the Strategic Plan. Strong leadership, aspirational goals, partnership working, and a clear grasp of our financial challenges were amongst the highlights of the report. A number of recommendations were made for action and improvement, particularly around the need to progress with the children's system transformation work, further test the assumptions made in the Medium-Term Financial Strategy (MTFS) and to provide additional clarity around the vision to our colleagues and partners.

During February 2019 the children's services were inspected by Ofsted as part of an Inspection of Local Authority Children's Services. This resulted in the current official status of 'Good' being retained.

In November 2018 a joint inspection of the children with special educational needs and disabilities (SEND) service, by Ofsted and the Care Quality Commission (CQC) as part of a Local Area Review was performed. There were a number of significant areas of concern, particularly with the way the different parts of the system of support – education, health and care – work together, with families, to ensure they receive timely, joined up support that meets their needs. A draft joint statement of action was submitted to Ofsted together and the production of a revised SEND strategy. Consequently, as part of the final accounts process the External Auditor has signalled their intent to issue a qualified (except for) value for money conclusion for 2018/19.

SECTION E STANDARDS BOARD/OMBUDSMAN

Our Audit and Standards Committee received an Annual Report in March 2019 on the management of elected member related complaints. It was resolved that going forward more detailed Members' code of conduct reports be brought to the Committee and that Members undertake unconscious bias training as recommended. The Ombudsman did uphold a complaint in March 2019 from the Local Government Social Care Ombudsman regarding its management of deprivation of liberty safeguards for deciding not to assess low and medium priority cases and taking too long to deal with urgent applications. The situation arose in response to financial pressures. A detailed action plan has been agreed with the Ombudsman. A number of whistleblowing issues are being considered by the Monitoring Officer in relation to various matters and will be reported to the Corporate Governance Working Group, where appropriate, in due course.

Conclusions

Section A
- **An effective system of scrutiny is in place.**

Section B
- **Our system of controls assurance is currently being reviewed and updated.**

Section C
- **The format and content of the Corporate Risk Register is to be reviewed and updated.**
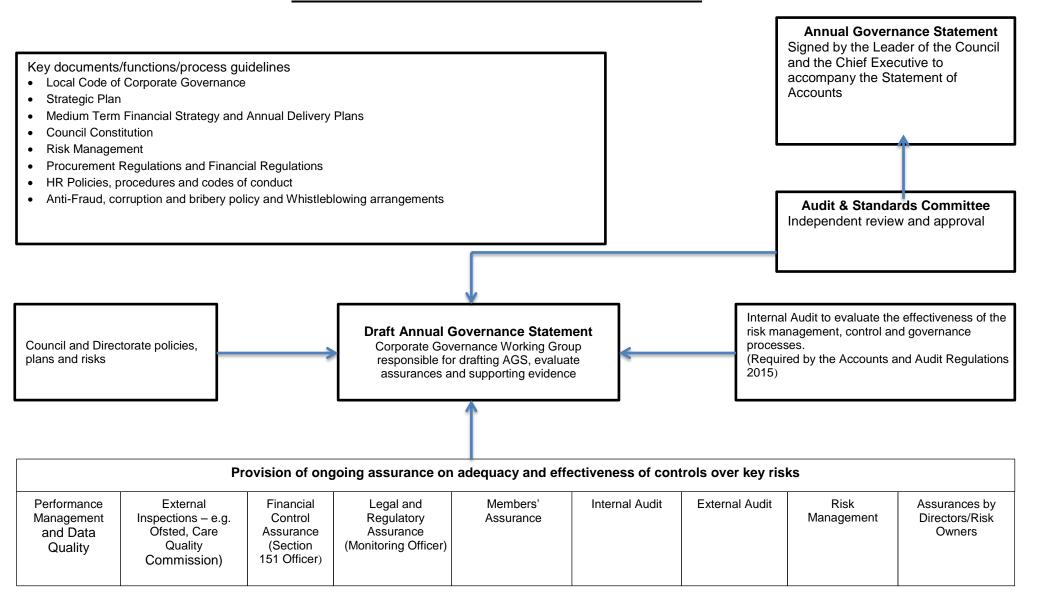
Section D
- **Our Children's Services maintained their 'Good' rating from Ofsted.**
- **Positive feedback was received from the Peer Challenge regarding our governance processes.**
- **A detailed joint action plan has been prepared in order to address the significant areas of weakness identified as part of the joint Ofsted and CQC inspection of the SEND service. Consequently, as part of the final accounts process the External Auditor has signalled their intent to issue a qualified (except for) value for money conclusion.**

Section E
- **The Audit and Standards Committee received the Annual Report on the management of elected member related complaints. They endorsed the recommendation that members undergo unconscious bias training and that moving forward detailed members code of conduct reports are included on the agenda. The Local Government Social Care Ombudsman did uphold a complaint regarding the management of deprivation of liberty safeguards for deciding not to assess low and medium priority cases and taking too long to deal with urgent applications. A number of whistleblowing issues are being considered by the Monitoring Officer and will be reported to the Corporate Governance Working Group in due course.**

THE ANNUAL GOVERNANCE STATEMENT - FRAMEWORK

Annual Governance Statement
Signed by the Leader of the Council and the Chief Executive to accompany the Statement of Accounts

Key documents/functions/process guidelines
- Local Code of Corporate Governance
- Strategic Plan
- Medium Term Financial Strategy and Annual Delivery Plans
- Council Constitution
- Risk Management
- Procurement Regulations and Financial Regulations
- HR Policies, procedures and codes of conduct
- Anti-Fraud, corruption and bribery policy and Whistleblowing arrangements

Audit & Standards Committee
Independent review and approval

Council and Directorate policies, plans and risks

Draft Annual Governance Statement
Corporate Governance Working Group responsible for drafting AGS, evaluate assurances and supporting evidence

Internal Audit to evaluate the effectiveness of the risk management, control and governance processes.
(Required by the Accounts and Audit Regulations 2015)

Provision of ongoing assurance on adequacy and effectiveness of controls over key risks

Performance Management and Data Quality	External Inspections – e.g. Ofsted, Care Quality Commission)	Financial Control Assurance (Section 151 Officer)	Legal and Regulatory Assurance (Monitoring Officer)	Members' Assurance	Internal Audit	External Audit	Risk Management	Assurances by Directors/Risk Owners

THE AGS – ASSURANCE GATHERING PROCESS

Stage 1 – Establish principal statutory obligations and organisational objectives

The Strategic Plan is underpinned by three interconnected priority outcomes providing a simple and clear focus.

The people of Staffordshire will:

- Be able to access more good jobs and feel the benefits of economic growth
- Be healthier and more independent
- Feel safer, happier and more supported in and by their community

The associated Delivery Plan defines a set of Commissioning Priorities which are consistent with these outcomes.

Stage 2 – Identify principal risks to achieving Commissioning Priorities

The Corporate Risk Register currently comprises 14 risk categories. Going forward, risks will be cross-referenced to our Commissioning Priorities.

Stage 3 - Identify and evaluate key controls to manage principal risks

The Corporate Risk Register currently defines key controls (documents and processes) for each specific risk area. Each control is evaluated. Going forward, key controls will be cross-referenced to our Commissioning Priorities.

Stage 4 – Obtain assurances on effectiveness of key controls

As defined within Appendix 1 to this report and Section 8 of the AGS

Stage 5 – Evaluate assurances and identify gaps in control / assurances

As defined within Appendix 3 to this report and Section 8 of the AGS

Stage 6 – Action Plan to address weaknesses and ensure continuous improvement of the system of corporate governance

As defined within the Corporate Risk Register and Section 13 of the AGS

Stage 7 – Annual Governance Statement

As considered by the Corporate Governance Working Group

Stage 8 – Report to Members

As considered by the Audit and Standards Committee

EXAMPLE OF A CONTROLS ASSURANCE STATEMENT

CORPORATE GOVERNANCE

Risk Details

Risk Description	Failure to maintain effective corporate governance arrangements resulting in a breakdown in internal controls, the non-achievement of objectives and loss of reputation
Risk Owner	Director of Strategy, Governance and Change – John Tradewell
Associated Risk Owners	Corporate Governance Working Group
Sources of Assurance	Risk Owner and Associated Risk Owners, plus Internal and External Audit

Key Controls and Processes

Annual Governance Statement	Customer Feedback Process	Members Code of Conduct
Business Continuity Framework	Delegations to/from Directors	Officers Code of Conduct
Code of Corporate Governance	Fraud, Bribery and Corruption Policy including the Integrity Policy Statement	Record of Decisions
Committees (Scrutiny/Select / Audit and Standards)	Member/Officer Relations	Risk Management Policy Statement
Constitution	Member Training	Schedule of Council Meetings
Corporate Risk Register	Members Allowances Scheme	Whistle Blowing Policy

Controls Assurance**

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
Annual Governance Statement	Annual Governance Statement	Corporate Governance Working Group Audit and Standards Committee Review Monitoring Officer County Treasurer Head of Paid Service	3
Business Continuity Framework	Staffordshire Prepared Website Business Continuity Website SCC Shared drive for Civil Contingencies Defined Work Programme approved	Testing of Business Continuity Plans Corporate Governance Working Group Staffordshire Civil Contingencies Unit Staffordshire Resilience Forum Exercise Aurora	2
Code of Corporate Governance	Code of Corporate Governance Annual Action Plan	Audit and Standards Committee Assessment Corporate Governance Working Group Monitoring Officer County Treasurer	2

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
		Head of Paid Service	
Committees	Scrutiny (Select) Committee Audit and Standards Committee	Scrutiny (Select) Committee Examples of effective scrutiny include Integration and the work on the Budget Audit and Standards Committee Delivery of training Review of the effectiveness of the Audit & Standards Committee undertaken.	3 3
Constitution	Constitution	Reviews overseen by the Audit and Standards Committee Corporate Services resource Monitoring Officer	2
Corporate Risk Register	Corporate Risk Register	Audit and Standards Committee - Corporate Risk Register – Senior Leadership Team Corporate Governance Working Group	2
Customer Feedback Process	See Risk Category 1	See Risk Category 1	
Delegations to/from Directors	Delegations to Directors Delegations from Directors Corporate Governance Action Plan	Delegations to Directors Review of Delegations to Directors Review of sub delegation schemes	2
Integrity Policy Statement	Integrity Policy	Development of E-Learning Fraud Awareness Tool Fraud, Bribery & Corruption Policy	2
Member / Officer Relations	Member / Officer Relations	Member/Officer protocol Strategic Delivery Managers 'Buddy' support system with nominated Democratic Services officers Monitoring Officer	3
Member Training	Member Training PDR system linked to political skills	Municipal Journal Councillor Development Achievement Award (Former Winners) Member Induction Process Regular Training Events	3

Key Control	Evidence of Control	Sources of Assurance (if available)	Control Rating
Members Allowances Scheme	Members Allowances Scheme	Internal Audit Report Independent Remuneration Panel	3
Members Code of Conduct	Members Code of Conduct	Overseen by Audit and Standards Committee Member investigations by Audit and Standards Committee – where appropriate Member Training Monitoring Officer	3
Officers Code of Conduct	Officers' Code of Conduct	Annual Declaration of Interests Confidentiality Letters Procurement – declaration forms	2
Record of Decisions	Record of Decisions	Corporate Services resource	3
Risk Management Policy Statement	Risk Management Policy Statement	Corporate Risk Management Leads Corporate Governance Working Group Embedding of risk management in Transformation process	1 (By virtue of need to revise and update the Statement and accountabilities)
Schedule of Council Meetings	Schedule of Council Meetings	Corporate Services resource	3
Whistle Blowing Policy	Whistle Blowing Policy	Annual review by CGWG	2

**Key

Key Control	Key documents and process identified within a specific risk category that are in place or required to be put in place in order to contain the risk to an acceptable level.
Evidence of Control	Name of a document or a process / procedure that governs the identified control.
Sources of Assurance (if available)	E.g. Internal / External Audit inspections, Audit & Standards Committee, Cabinet, Scrutiny Panels, Internal Reviews, Control Self-assessment.
Control Rating	1 (Limited) – The stated control requires major revision and/or there is little evidence of the effectiveness of the control framework. 2 (Adequate) – The stated control requires only minor revision and/or the effectiveness of the control framework can be partly evidenced by reference to Sources of Assurance. 3 (Substantial) – The stated control has been in place all year and does not require revision. The effectiveness of the control framework can be substantially evidenced by reference to Sources of Assurance.

Annual Governance Statement

"Following consultation (where appropriate with Directorates) in terms of Control Rating, I am satisfied that, in relation to the Corporate Governance Strategic Risk Category, the stated level of compliance against required standards gives a true and fair view of the control frameworks in place. Where any Control Rating is assessed as "Limited" an appropriate Action Plan will be defined and implemented during 2019/20."

John Tradewell
Director of Strategy, Governance and Change
Date: 31st May 2019

The AGS – SOURCES OF ASSESSMENT - COVERAGE

Risk Ref	Risk Category	Risk	Scrutiny	Internal Audit	External Agencies	Director/ Risk Owner	Statutory Officers
1	Planning and Performance	Failure to establish and communicate clear plans and objectives and monitor performance	✔	✔	✔	✔	
2	Service Delivery	Failure to maintain day to day service provision	✔	✔	✔	✔	✔
3	Corporate Governance	Failure to maintain effective corporate governance arrangements	✔	✔	✔	✔	✔
4	Human Resources	Failure to resource safely, effectively and efficiently – manage the implications of a reducing headcount – handle poor performance	✔	✔		✔	✔
5	Organisational Development	Failure to ensure the workforce has the appropriate knowledge and skill set	✔	✔		✔	
6	Health and Safety	Failure to protect staff / third parties from injury	✔	✔	✔	✔	✔
7	Procurement	Failure of ensure the procurement process provides best value	✔	✔		✔	✔
8	Law and Democracy and Information Governance	Failure to comply with key legislation or legal requirements	✔	✔	✔	✔	✔

9/10	Financial Management	Failure to provide sufficient finance to enable the Council to meet its objectives and ensure income and expenditure is contained within the budget and is properly accounted for	✔	✔	✔	✔	✔
11	Change Management	Failure to manage corporate projects and organisational change	✔	✔	✔	✔	
12	Information Management	Failure to transform services throughout Staffordshire by the innovative use of ICT	✔	✔	✔	✔	
13	Property	Failure to provide, protect and maintain property that will deliver a suitable and safe working environment for staff and visitors	✔	✔	✔	✔	
14	Business Continuity	Failure to maintain service delivery in the event of major disruption	✔	✔	✔	✔	

Notes:

(1) Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes *(UK Public Sector Internal Audit Standards and CIPFA Local Government Application Note).*

(2) External audit evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving an opinion on the financial statements. Where external audit identify any weaknesses in such systems, external audit will draw them to the attention of the Council, but external audit cannot be expected to identify all weaknesses that exist. External audit are not responsible for forming an opinion on the adequacy of systems of internal control and were appointed by the Audit Commission.