

AUDIT COMMITTEE – 23rd September 2016

ANNUAL GOVERNANCE STATEMENT 2015/16

1. Purpose of the Report

- 1.1 To consider the final Annual Governance Statement for 2015/16, attached as Appendix One to this report.

2. Recommendations

- 2.1 **The Committee is asked to approve the Draft Annual Governance Statement for 2015/16, and refer it to Full Council for their approval and adoption.**

3. Background

- 3.1 The proposed process and guidance on developing the Annual Governance Review (AGR) for 2015/16 was considered by the Committee on 23rd March 2016, and members were given the opportunity to comment on these arrangements prior to the AGR commencing with officers.
- 3.2 The Audit Committee considered the draft Annual Governance Statement (AGS) on 20th July 2016.

4. The Final Annual Governance Statement 2015/16

- 4.1 The final AGS is attached as Appendix One to this report. The statement outlines the following:
- i. The purpose of the Governance Framework;
 - ii. The Governance and Internal Control Framework;
 - iii. The process of annually reviewing the effectiveness of the Governance and Internal Control Framework; and,
 - iv. Identifying development and improvement opportunities arising from the Annual Governance Review, to be addressed in 2016/17.

5. Review Process

- 5.1 The AGS is an important document as it is one form of providing assurances to residents and other stakeholders, including the Council's partners, that its decision making processes and procedures have integrity.
- 5.2 An action plan has been prepared to capture the issues raised throughout the review process. This document will form the basis for Audit Committee monitoring throughout the year. The action plan is provided to the Audit Committee as Appendix Two to this report. An update of the action plan will be reported to the Audit Committee in December 2016.

6. Financial Implications

- 6.1 There are no direct financial implications arising through the preparation and publication of the Council's Annual Governance Statement.

- 6.2 However, the draft statement includes an assessment as to the extent to which the Council's financial and other internal control related procedures are being complied with.

7. Risk Management Considerations

- 7.1 The Council's Risk Management Strategy forms one of the key elements of the Council's Internal Control Framework.

8. Consultations

- 8.1 The draft statement was developed through a comprehensive evaluation process which has included formal input from the Council's Corporate Assurance Group and the Council's Senior Management Team (SMT).

9. List of Appendices

- 9.1 Appendix One: Draft Annual Governance Statement 2015/16
Appendix Two: Draft Annual Governance Statement Action Plan 2015/16

11. Background Papers

- 11.1 Previous Audit Committee reports covering the monitoring of the 2014/15 AGS Action Plan, the Council's Local Code of Corporate Governance and the Council's Annual Governance Review Process 2015/16.

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Date: 31st August 2016

BARNSELY METROPOLITAN BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015 / 2016

1. Scope of Responsibility

- 1.1 Barnsley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and all relevant standards, and that public money is safeguarded and properly accounted for.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, effectiveness and efficiency.
- 1.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework detailed in their report 'Delivering Good Governance in Local Government', in so far as the Council will:
- Focus on the purpose of the Council and on outcomes for the community and create and implement a vision for the local area;
 - Ensure Elected Members and officers work together to achieve a common purpose with clearly defined functions and roles;
 - Promote values for the Council and demonstrate the values of good governance through upholding high standards of conduct and behaviour;
 - Take informed and transparent decisions which are subject to effective scrutiny and consideration of risk;
 - Develop the capacity and capability of Elected Members and officers to be effective; and,
 - Engage with local people and other stakeholders to ensure robust public accountability.
- 1.5 A copy of the Council's recently revised Local Code of Corporate Governance can be found on the Council's [Risk Management intranet site](#). This document was considered, and approved by the Council's Audit Committee on 20th April 2016.

2. Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of governance and internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurances regarding overall effectiveness. The system of governance and internal control is based on an ongoing process of risk review, designed to identify and prioritise risks to the achievement of

the Council's policies, aims and objectives and to evaluate the likelihood and potential impact of those risks being realised. It is then a case of managing and mitigating them to reasonable levels in an efficient, effective and economic manner.

3. The Governance Framework

3.1 The scope of the governance and internal control framework spans the whole range of the Council's activities. The following sections consider the various main components of the Council's governance framework and the activities within each of them.

3.2 Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.

The Council's vision is contained within the Future Council Change Programme which was originally approved by Cabinet in June 2014. This also includes the Council's three corporate Priorities, four Values, and a number of Future Council characteristics.

This report was complemented by a further report, also approved by Cabinet in June 2014 which provided the detail of the business model for Directorates and Business Units in terms of how the units would be achieved and the framework for their delivery.

A further report was considered and approved by Cabinet in December 2015 which provided an opportunity to reflect on the outcomes of the Future Council, and provide assurances that changes had started to take effect.

The Council's Corporate Plan 2015 – 18 sets out these priorities, values and characteristics, which was approved by Cabinet in June 2015.

To deliver improved outcomes in terms of the overall quality of life and services that meet local needs, the Council works with a range of partners both within the Local Strategic Partnership (LSP) 'One Barnsley' as well as other organisations, including local businesses, South Yorkshire Police, voluntary and community groups and the National Health Service.

3.3 Arrangements for reviewing the Council's vision and its implications for the Council's governance arrangements and translating the vision into objectives for the Council and its partners.

The Council's Corporate Plan underpins the priorities and outcomes for 2015 to 2018, and makes clear links between the published outcomes and the Councils' own performance management arrangements.

3.4 Arrangements for measuring the quality of services for service users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money.

Key metrics, signposted in the One Council element of the Corporate Plan will tell us about our 'organisational health' covering both our financial resources and our workforce, our social responsibility such as local spend, volunteering and apprenticeships and our ongoing progress against the ten Future Council outcomes. The supporting performance management framework, included as part of the new Corporate Plan has been designed to ensure the effective management of these outcomes.

3.5 Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements.

The Council's Constitution sets out how the Council operates regarding how decisions are made and the procedures that are followed to ensure that these rules are efficient, transparent and accountable to local people. The constitution sets out rules governing the manner in which the Council conducts its business.

The Constitution includes the Scheme of Delegation whereby functions and decision making responsibilities are allocated between the full Council, the Cabinet, individual Cabinet Members, regulatory boards, committees and officers.

The Council's Officer Code of Conduct and Member Code of Conduct encourages the effective transaction of business by setting out the respective roles of Members and officers and provides guidelines for good working relationships between them. The Elected Members Code of Conduct was updated and approved by Cabinet in May 2015 to ensure they reflected the Future Council's vision, values and behaviours.

A limited number of items of business, such as approving the level of Council Tax must be considered by the Full Council. For other decisions, the Leader and Cabinet Members hold decision making powers through the Cabinet – each member of the Cabinet holds a portfolio which supports the priorities and structures of the Future Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not members of the Cabinet are appointed as members of regulatory committees or undertake scrutiny activities. Detailed terms of reference are in place for regulatory boards such as the Council's Audit Committee, as well as the Overview and Scrutiny Committee and Safeguarding Scrutiny Committee.

There is a clear distinction between the Executive and non-Executive functions within the Council and clearly defined roles for these functions exist, which are understood by both parties. The Council's Monitoring Officer (MO) is responsible for determining any issues of uncertainty as to whether a function is of an Executive or non-Executive nature.

Specific governance arrangements regarding the establishment and management of Area Councils (which have a formal status as Committees of the Executive, with delegated authority to incur expenditure within an allocated budget) have now have been in place for a number of years. These are also complemented by Ward Alliances which focus on direct community engagement.

Similarly, revised arrangements regarding the structure of the Council's Scrutiny function provide an emphasis on performance management and the delivery of outcomes. The rationalisation of Scrutiny Committees has resulted in the development of an overarching Overview and Scrutiny Committee, with three 'task and finish' groups designed to undertake deep-dives of specific Scrutiny areas.

Furthermore, the Council's LSP Board consists of senior partner representatives and agrees the overall strategic direction for the partnership. It considers performance against the Council's Jobs and Business Plan 2014-17 and Health and Wellbeing Strategy 2014-19. However, the primary responsibility for overseeing the delivery of these strategies rests with the Barnsley Economic Partnership and the Health and Wellbeing Board respectively. The LSP Board provides overall coherence and coordination across principal partnership arrangements to ensure that delivery is

effective. The Board has three specific sub-groups each with a key focus including Communications, European Funding and Shared Assets.

3.6 Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and officers.

The Council has established a Member Panel to consider any allegations of misconduct, where the MO determines the need to undertake formal investigation. The MO exercises their judgement in consultation with three designated Independent Persons who have been appointed as a requirement of the Localism Act. This panel comprises three Elected Members chosen from those members comprising the Appeals Awards and Standards Panel by the Monitoring Officer in consultation with the Chairperson of the Panel. A majority of the members are selected from members of a political group different to that of the member who is the subject of the complaint.

The Council has developed and adopted formal Codes of Conduct which define standards for both personal and professional behaviour for Elected Members and officers. Formal induction training packages have been developed for Members and officers that include mandatory training regarding information governance, financial and procurement responsibilities and anti-fraud and corruption arrangements. Both Elected Members and officers are required to register relevant interests as required by law, and by the relevant Code of Conduct. The Council maintains a register of Councillors Interests, as Councillors are obliged by law to keep their registration up to date and inform the MO of any changes within 28 days of the relevant event. The need for disclosure of any conflicts of interest is a standard agenda item at all Council meetings. Standing Orders have been amended to require a member to withdraw where they have a Disclosable Pecuniary Interest, as defined by law.

3.7 Arrangements for the review of the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The Council has in place a Constitution which is reviewed on a regular basis by the Constitution Review Group. This also ensures that the Cabinet Report Writing Guidelines are up to date and reflect current legislation and best practice. Within the Constitution review process delegations to members and officers are considered and refreshed as appropriate.

Cabinet decisions, including those relating to partnership activities are subject to oversight by the Overview and Scrutiny Committee. The robustness of data quality is challenged through the annual governance review process, and is also subject to periodic audit and review.

3.8 Arrangements for the review of the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.

The Council has in place a comprehensive Risk Management framework which is reviewed on an annual basis. Compliance with this framework is monitored, and specifically audited on an annual basis. The Risk Management framework has also benchmarked against other local authorities through the Association of Local Authority Risk Managers (ALARM) and Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Benchmarking Club, and improvement actions identified by this process are included in subsequent Risk Management Section work-plans. Furthermore, the Council's External Auditors have considered and compared the Council's Strategic Risk Management arrangements with other similar constituted Authorities, and provided positive assurances in this regard.

The Council's Audit Committee takes the lead in overseeing the Council's Risk Management framework arrangements and receives regular reports regarding compliance with the framework, across all Council services and functions. The Committee also receives reports regarding the Council's Strategic Risk Register (SRR), which is reviewed on a bi-annual basis.

The Council's decision making processes require the identification of risks and how they are being managed as a standard element of all decision making reports.

Training and awareness sessions are provided on a regular basis for Elected Members and officers. This is complemented by on-line training modules for Elected Members and officers.

3.9 Arrangements to ensure that effective counter-fraud, anti-corruption and whistleblowing controls and processes for receiving and investigating complaints from the public are developed and maintained.

The Council has in place a Corporate Anti-Fraud, Corruption and Bribery Policy and a suite of supporting policies and guidance, which are reviewed on an annual basis.

Training and awareness continues to be provided both specifically to groups of employees but also via on-line training modules for employees.

The Council has in place a Whistleblowing Policy, supported by two senior managers as designated contact officers. The Audit Committee oversees the effectiveness of the Whistleblowing arrangements on an annual basis. Internal Audit, as well as having a role in investigating matters brought to its attention, but it also takes the lead in promoting preventative measures. This is inherent in all audit work but also through specific fraud detection work to identify areas where fraud prevention controls can be improved.

As part of the Future Council arrangements, the Corporate Anti-Fraud Team (CAFT) has been formed within Internal Audit, and became fully effective from 1st April 2015. A number of reports to the Audit Committee during 2015 provided positive assurances regarding the activities being undertaken by the CAFT.

3.10 Arrangements to ensure the effective management of change and transformation.

A robust approach has been taken regarding the management of change, with the project management computer system P2.net utilised to assist in the tracking and delivery of budget saving proposals. This process is complemented by the Programme Office approach detailed in the Council's Future Council Strategy 2014 – 2017. In order to ensure the delivery of the Future Council, the Future Council 2020 Improvement and Growth Board has been established, and is chaired by the Chief Executive and consists of Executive and Service Directors. The primary purpose of this Board is to driver the overall Future Council programme forward to deliver the expected outcomes and benefits.

Furthermore, a £3M 'Improvement and Growth' Fund has been set up to stimulate and support innovation, managed risk taking and commercial and business thinking. It is expected that Service Directors will submit brief, high level business cases which will demonstrate alignment with the Council's corporate priorities. Applications to the fund must demonstrate that they are not delivering business as usual activities and how cashable and non-cashable efficiencies will be driven and supported by a clear return on investment.

3.11 Arrangements to ensure that the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*.

The Council's Chief Financial Officer (CFO) is a key member of the Senior Management Team (SMT) for the Council, helping it to develop and implement strategy and resources to help deliver the Council's strategic objectives in a way that is sustainable and in the public interest. They are also actively involved in, and able to bring influence to bear on all material business decisions, to ensure immediate and longer term implications, opportunities and risks are fully considered, and where appropriate, aligned to the Council's overall financial strategy (the Medium Term Financial Strategy (MTFS)). The CFO leads on the promotion and delivery by the entire Council on good financial management, which aims to ensure that public money is safeguarded at all times, and used in an appropriate, economic efficient and effective manner.

To deliver these responsibilities, the CFO leads and directs the Finance function within the Council to ensure it is resourced in such a way as to be fit for purpose, and they are also professionally qualified and suitably experienced.

An assessment has been undertaken as part of the Annual Governance Review process against the CIPFA Statement on the role of the Chief Financial Officer in Local Government. This assessment has confirmed that in all respects the Council's arrangements comply with the five principles set out in the framework.

3.12 Arrangements to ensure that the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit*.

The Head of Internal Audit (HoIA) in a local authority plays a critical role in delivering the Council's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role, the HoIA is a senior officer with regular and open engagement across the Council, particularly with Executive Directors and Service Directors and the Audit Committee. The HoIA leads and directs an internal audit service that is resourced to be fit for purpose and is professionally qualified and suitably experienced. Following an independent external assessment as to conformance with the Public Sector Internal Audit Standards, the Internal Audit function was deemed to be fully compliant.

An assessment has been undertaken as part of the Annual Governance Review process against the CIPFA Statement of the Role of the HoIA in Local Government. This assessment has confirmed that in all respects, the Council's arrangements comply with the five principles set out in the framework.

3.13 Arrangements to ensure that effective arrangements are in place for the discharge of the Monitoring Officer function and the Head of Paid Service function.

The broader context for the Council's governance and internal control environment is provided by the Council's Constitution which gives comprehensive information on how the Council is organised, its decision making processes and how probity and due process are promoted. This includes the work of the statutory officers, namely the Head of Paid Service (the Chief Executive), the MO (the Executive Director, Legal and Governance) and the Section 151 Officer (Executive Director, Finance, Assets and Information Services).

All three of the statutory officers are members of the Council's SMT. Statutory officer meetings are held periodically to focus on the specific statutory nature of their roles. The MO and the Section 151 Officer have direct access to the Chief Executive with reference to their core statutory and professional roles.

3.14 Arrangements to undertake the core functions of the Audit Committee, as defined by CIPFA's *Audit Committee Practical Guidance for Local Authorities*.

The Council's Audit Committee comprising of four senior Elected Members, and five co-opted members is responsible for providing independent assurance to the Council on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management. The Committee undertakes an annual review to ensure it remains compliant with the CIPFA 'Audit Committee Practical Guidance for Local Authorities' document.

The Committee receives regular reports relating to its remit, covering issues arising from the work of Internal Audit, updates on the risk management process, anti-fraud and corruption work and financial management reports, plus reports from the Council's external auditors which includes updates on the progress of implementing recommendations that have been made. The Committee itself produces an annual report highlighting their key areas of activity during the year.

As part of its governance remit, the Audit Committee will consider this Statement and, as necessary provide comments to full Council. In addition, the Committee will monitor the implementation of any emerging developments or improvements, recommended through the Annual Governance Review process.

An Audit Committee Workshop event was held in November 2015, which was designed to consider if the effectiveness and efficiency of the Committee can be improved to ensure it supports the Future Council Programme. The Workshop also included comparing the current Audit Committee arrangements with the CIPFA 'Audit Committee – Practical Guidance for Local Authorities and Police 2013' Guidance.

3.15 Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.

The Council has designated the Executive Director, Legal and Governance as MO. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations and to oversee its arrangements in relation to ethical standards complaints.

The Executive Director, Legal and Governance attends, or is represented by a senior lawyer at all meetings of the Cabinet and Council. A senior lawyer is always in attendance at meetings of the Planning Regulatory Board and the Licensing Regulatory Board and as clerk to any Appeals panels.

All decision making reports take account of a range of control factors, including risks, legal and financial implications and policy or performance implications. The Council's SMT reviews all significant reports prior to them being included on the Cabinet agenda and discusses forthcoming Cabinet agendas a week prior to the meeting to address any particular issues arising or outstanding in respect of the specific report on the agenda. Any decisions taken by Cabinet members under their delegated powers are subject to prior scrutiny by SMT.

All Cabinet decisions are subject to oversight by the Overview and Scrutiny Committee.

All documents that require execution by the Executive Director, Legal and Governance require evidence of Member or delegated officer approval prior to being executed.

Legal implications in particular with regard to consultation and statutory quality obligations are addressed specifically as part of the Council's budget setting process. The MO and Section 151 Officer are aware of their statutory duties to report in respect of concerns of unauthorised activity or expenditure and consult with each other periodically in relation to their ongoing and complementary statutory roles.

There is a periodic review of decision making and 'authority to act' through the role of Internal Audit and where appropriate by external regulators such as the Information Commissioner, the Surveillance Commissioner and the Local Government Ombudsman.

3.16 Arrangements for identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Services are delivered by trained and experienced employees. All posts have a detailed job description and person specification. As part of the move towards the 'Future Council' a large proportion of jobs now benefit from a Job Profile, which includes elements of the job description and employee specification. Training needs are identified through the Performance and Development Review (PDR) process in which individuals' targets are derived from Service Delivery Plans or Business Unit Plans.

Induction courses are available for new Elected Members and officers. A comprehensive programme of development activities and training has been specifically designed to improve the knowledge, skills and abilities of Elected Members in their individual or collective roles in meeting the Council's corporate objectives. The programme is also designed to ensure that all Members are fully supported to carry out their increasingly complex roles. Members individual development needs are identified in personal development plans.

A number of Leadership Programmes have been set up to provide detailed (and accredited) Leadership and Management training for all tier one to five officers within the Council.

3.17 Arrangements to establish clear channels of communication with all sectors of the community and other stakeholders, ensuring accountability and encouraging consultation.

All Councillors must account to their communities for the decisions that they have taken and the rationale behind them. Barnsley Council is subject to external review through external auditing of financial statements and performance managing outcomes against national standards and targets.

Councillors and officers are both subject to code of conducts. Additionally, where maladministration may have occurred, the aggrieved person may wish to appeal either through their local Councillor or directly to the Local Government Ombudsman.

The Council has numerous arrangements in place to communicate with its customers and wider stakeholders, including the use of social media such as 'Facebook' and 'Twitter'. The Area Council and Ward Alliance arrangements also encourage community involvement, engagement and participation.

3.18 Arrangements to enhance the accountability of service delivery and the effectiveness of other public service providers.

The Council has various arrangements in place to ensure it is accountable for its service delivery and performance. This includes the provision of quarterly performance reports that detail the Council's performance against specific Corporate Plan priorities and an annual Council Tax leaflet that is published on the Council's website which provides an insight into how resources are being used.

3.19 Arrangements to incorporate good governance in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the Council's governance arrangements.

When working in partnership with others, the existence of sound governance arrangements helps to ensure that shared goals are achieved and resources are controlled in an effective manner.

A review of the partnership arrangements for the LSP has provided greater clarity by reducing the number of partnership bodies and sub-groups. The LSP now benefits from two key partnership bodies, the Health and Wellbeing Board (focusing on delivering health and wellbeing strategies) and the Barnsley Economic Partnership (which focuses on the delivery of economic strategies), with the One Barnsley Board providing strategic oversight. The emphasis is on each partner agency contributing towards, and being responsible for the delivery of shared outcomes for Barnsley, rather than servicing and attending partnership meetings.

Council officers and Councillors are nominated as Council representatives within or when dealing with significant partnering organisations. Partners are encouraged where appropriate to align their objectives with the Council's policies and deliver high quality, efficient and effective services which are in accordance with their agreements with the Council.

A developing practical Partnership Governance Framework is in development, which has been designed to assist Partnership Lead Officers provide suitable assurances that the partnership is making a valuable contribution to the Council's objectives and priorities, and is a well governed and controlled relationship.

4. Review of Effectiveness

Barnsley Metropolitan Borough Council has responsibility for conducting (at least annually), a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates.

4.1 Senior Management Team (SMT)

4.1.1 Annual Assurance Statements

The Council's SMT is responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework. As part of this function, each member of SMT is provided with details of their services assurance information for the year. This assurance information contains:

- Significant and Fundamental Internal Audit recommendations that have been made to individual business units;
- Significant and Fundamental themed Internal Audit recommendations that are relevant to specific business units; and,

- Other Sources of Assurance information sourced from Internal Control and Governance lead officers.

Following receipt of the above information by each individual Service Director, each SMT member is then asked to provide assurances regarding the overall governance arrangements for their Directorate.

This information has then been evaluated, and where appropriate, included in the Annual Governance Statement Action Plan.

4.1.2 Annual Review Statements and the developing Corporate Assurance Framework

The Council has adopted a comprehensive set of internal policies and procedures that govern key aspects of its operations as part of the drive to develop high quality local public services. Collectively, these are referred to as the Internal Control Framework.

Each of these key policies, plans and procedures has a senior lead officer with overall responsibility for their maintenance and review. The previous Annual Governance Review process provided an opportunity for each designated lead officer to prepare an annual review statement on their respective areas of responsibility.

The developing Corporate Assurance Framework (CAF) aims to collate these discrete elements of the Council's Internal Control Framework into an overarching assurance document, which will allow for the mapping of risks, systems, processes and assurances against the controls in place. This will also include an evaluation of the adequacy, in terms of the breadth and depth of assurance coverage provided to ensure there is sufficient evidence available to ascertain whether the controls are effective, efficient and comprehensive. This is combined with an assessment of current assurances on the effectiveness of current controls in the mitigation of risk to ensure they are also adequate, efficient and comprehensive. This work is due for completion in 2016, and it is envisaged the outcomes of the CAF will be used to inform and influence the Internal Audit Plan for the year ahead.

Policies included within the Council's Internal Control Framework are also subject to cyclical, risk based review by the Council's Internal Audit division.

4.2 Internal Audit

4.2.1 The HoIA is responsible for providing assurances on the robustness of the Council's internal control arrangements to the Audit Committee. An annual report on audit activity and the performance of the Internal Audit division is also presented to the Audit Committee. In terms of the 2015/16 report, which the Committee considered at its meeting on 20th July 2016, the HoIA gave a controls assurance opinion which reflected that systems concerning internal controls were adequate and that no fundamental breakdown of any such systems had occurred. Whilst the overall opinion is positive, there are some key issues arising from the work of Internal Audit that senior management should consider. In general terms these relate to the impact of Future Council and the implications of changed structures, new and changed systems and an increased workload for many managers, which has impacted upon their ability to maintain reasonable and effective controls in some areas of activity.

4.2.2 The results of Internal Audit's work during 2015/16 has recognised that the Future Council approach requires a change in risk appetite and that there is a natural period during which new operational arrangements will embed. However, with regard to the progress of audit report recommendations, at the point of follow up and throughout the year only 35% of recommendations had been implemented

by the agreed date by management. The monitoring of report recommendations will no doubt be a priority for the Audit Committee, and the Internal Audit Service itself.

- 4.2.3 The role of Internal Audit within the governance, risk and internal control framework is to operate both independently and objectively in reviewing and reporting on the effectiveness of the Annual Governance Review process and the corporate Risk Management framework. This work has been undertaken by a Principal Auditor reporting directly to the Executive Director, Finance, Assets and Information Services in order to preserve that independence.

4.3 Strategic Risk Management

Work undertaken by the Risk Management Section during 2015/16 included support and challenge in the management and development of the Council's SRR and the preparation of reports to SMT, Cabinet and the Audit Committee. Work has also included promoting and embedding good risk management practices throughout the Council, and its partners, as well as preparing both annual and periodic update reports to the Audit Committee.

4.4 External Audit, Assessment and Inspection

Barnsley Metropolitan Borough Council is subject to external assessment and regulation by auditors and service inspectorates such as OFSTED and the Care Quality Commission (CQC). Services, in conjunction with the Corporate Assurance Group are responsible for ensuring that the relevant findings from external audit or other assessment activity informs the annual evaluation process, which underpins the production of the Annual Governance Statement.

- 4.5 In summary, the following principal sources of evidence were considered when carrying out this evaluation:

- Assurances provided by Service Directors and Executive Directors regarding the overall governance arrangements for Business Units, and Directorates;
- Internal Audit Annual Report;
- Risk Management Annual Report;
- The Annual Audit letter;
- Key issues arising from the Annual Corporate Health and Safety Annual Report;
- The Local Government Ombudsman's Annual Monitoring Report on BMBC's complaints;
- The independent Internal Audit Annual Review of the Annual Governance Review and Statement process and Corporate Risk Management arrangements; and,
- A review of the action taken and progress made in relation to the issues raised in the 2015/16 Annual Governance Statement and associated Action Plan;

4.6 Corporate Assurance Group (CAG)

Following the transition to the Future Council, the Corporate Assurance Group (CAG) membership and terms of reference have been reviewed, and the group has been successfully reconvened. The CAG has met twice in 2016/17 (April 2016 and May 2016) in order to develop the Council's assurance information, as detailed in section 4.1.1.

- 4.7 The development of the revised Annual Governance Review process has been presented to the Barnsley Leadership Team (BLT) and SMT in 2015. This process has been somewhat refined, following a greater level of involvement with the internal control and governance lead officers, via the CAG. Furthermore, the Audit Committee were updated regarding the revised Annual Governance Review process at their meeting on 20th April 2016.

5. Significant Governance Issues

- 5.1 The annual review of the Council's governance, risk and internal control arrangements in 2015/16 has not identified any fundamental issues and has confirmed that the general level of compliance with the Council's governance and internal control framework remains good.
- 5.2 The review process has taken into account the action taken against the control issues raised on previous Annual Governance Statements.
- 5.3 The Action Plan to be monitored during 2016/17 comprises the issues that have been carried forward from previous years, along with issues that arose from the 2015/16 review.

6. Statement by the Leader of the Council and the Chief Executive

- 6.1 We are satisfied that the comprehensive review process undertaken has identified the relevant areas for attention over the forthcoming year. The Action Plan put in place will be monitored by the Council's Audit Committee will (when implemented) further enhance the Council's governance, risk and internal control framework.

.....
Councillor Sir Stephen Houghton CBE
Leader of Barnsley MBC

Date:

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Diana Terris
Chief Executive of Barnsley MBC

Date:

Appendix Two: Annual Governance Statement Action Plan 2016/17

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
1	To further develop and embed a practical framework to assist on the effective governance and control of the Council's partnerships, contracts and general relationships with external organisations. This has increased significance in the context of the Future Council programme. <i>(Carried forward from 2015/16)</i>	Executive Director, Legal and Governance	31/12/2016	<p><u>July 2016:</u> A presentation to BLT was delivered by the Executive Director, Legal and Governance on 31/05/2016, seeking endorsement of the developing Partnership Governance Framework, which entails:</p> <ul style="list-style-type: none"> ▪ Developing a Register of significant partnerships; ▪ Logging Partnership risks in the appropriate Risk Register; and, ▪ Ensuring suitable assurances (including the consideration of exit strategies) are included when logging Partnership risks in the appropriate Risk Register. <p>The Executive Director, Legal and Governance and the Risk and Governance Manager met in July 2016 to develop arrangements to roll this framework out to all Directorates in 2016 via the Operational Risk Register review process.</p> <p>An update will be provided to BLT during 2016.</p>
2	Improving the quality of performance reviews undertaken across the Council in 2016/17. Particular areas of non-compliance or concern will be considered as part of Internal Audit's Themed Assurance Audit on the Performance and Development Framework, the recommendations of which will be used to identify areas of development and support for managers and to inform changes required to the process for the future. <i>(Carried forward from 2015/16)</i>	Executive Director, Human Resources, Performance and Communications	31/03/2017	<p><u>July 2016:</u> Terms of reference for Internal Audit's Themed Assurance Audit on the Performance and Development Framework have now been agreed between the Organisation Development Manager and Internal Audit Manager</p>

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3	<p>The development of a Commercial Toolkit that covers all aspects of business and financial acumen is currently in the process of being developed and prepared.</p> <p>This Toolkit will be rolled out via a series of modules across the entire organisation and it is envisaged this will assist in fundamentally changing the culture of the Council to a more commercial and business like organisation, with the right commercial and financial capabilities to deliver the Council's 2020 Outcomes</p> <p>The first module is expected to have been prepared by December 2016.</p>	Executive Director, Finance, Assets and Information Services	31/03/2017	<p><u>July 2016:</u> Action agreed by Service Director Finance.</p>
4	<p>Improve the implementation by Business Units of the Council's Business Continuity Planning (BCP) arrangements.</p> <p>There remain gaps in the necessary BCPs in services which now form one of the appendices of Business Unit Business Plans. The Corporate BCP will be revised in 2016 and any outstanding plans highlighted to the relevant Executive Director and Service Director. This remains an implementation issue rather than a lack of suitable and sufficient process. (Carried forward from 2015/16)</p>	Executive Director, Human Resources, Performance and Communications	31/03/2017	<p><u>July 2016:</u> Action agreed by Head of Corporate Health, Safety and Emergency Resilience.</p>

Ref	Annual Governance Statement Action	Responsible Executive Director	Timescales	Current Position – Action Taken / Planned
5	Review the recording of officer delegated decisions to ensure this is in line with legislation. <i>(Carried forward from 2015/16)</i>	Executive Director, Legal and Governance	30/09/2016	<p><u>July 2016:</u> Draft guidance prepared by the Service Director (Council Governance) and passed to the Director, Legal and Governance for consideration.</p> <p>Following receipt of feedback, it is envisaged this guidance will be considered by SMT, and finally, circulated to BLT in late July 2016.</p>
6	Internal Audit Annual Report: A corporate issue relating to non-compliance with Contract Procedure Rules and the overall adequacy of Contract Management Arrangements	Executive Director, Finance, Assets and Information Services	31/03/2017	<p><u>July 2016:</u> Identified via Internal Audit's Annual Report – Significant Governance Issues.</p> <p>Agreed by SMT this action is to be included on the 2015/16 AGS Actions Plan.</p> <p>Action agreed by Head of Strategic Procurement.</p>