BARNSLEY METRPOLITAN BOROUGH COUNCIL

Report of the Service Director – Finance

Audit Committee – 22nd March 2017

ANNUAL GOVERNANCE REVIEW PROCESS 2016/17

1.   Purpose of Report

1.1   The purpose of this report is to provide the Audit Committee with an update regarding the Annual Governance Review (AGR) process that has been determined for 2016/17, which will be used to influence and assist in the preparation of the Council's statutory Annual Governance Statement (AGS) for 2016/17.

1.2   The consideration of the Council's governance and assurance framework and the preparation of the AGS are key responsibilities of the Audit Committee.

2.   Recommendations

2.1   It is recommended that the Audit Committee notes:

   (i)   The Annual Governance Review process for 2016/17;

   (ii) The revised Local Code of Corporate Governance; and,

   (iii) Outputs from the Annual Governance Review process for 2016/17 will be reported to the Audit Committee later in 2017, where consideration can be given as to whether the process provides sufficient and suitable evidence and assurances upon which the Audit Committee can refer the Annual Governance Statement for Full Council approval in September 2017.

3.   Background – Annual Governance Review Process

3.1   As the Audit Committee will recall, the Annual Governance Review (AGR) process was substantially reviewed in 2014/15, and this was reported to the Audit Committee at their meetings dated 25th March 2015 and 23rd March 2016.

3.2   The AGR process entails each Service Director receiving assurance information from the Risk and Governance Manager, which will contain:

   a. Details of all 'significant' and 'fundamental' outstanding Internal Audit recommendations that have been made to each Business Unit, along with any updates provided to Internal Audit;
       This is information already in existence, and should be known by each Service Director, and therefore should contain no surprises or 'new' information.

   b. Details of all 'significant' and 'fundamental' outstanding Themed Internal Audit recommendations;
       These themed recommendations will be cross cutting in their nature and will therefore be relevant to the majority of Business Units.

     c.   Other areas of assurance information that have been identified in liaison with Internal Control Lead Officers, that will be specific for each Business Unit;
These will provide an overview of each Business Unit's compliance with areas of activity and control such as Business Continuity Planning, Procurement and Risk Management.

3.3   Each Service Director will then be asked to confirm receipt of this information to the Risk and Governance Manager. By doing so, each Service Director will be accepting the content of the assurance information, and providing assurances themselves that the actions detailed will be implemented within the documented timescales.

3.4   The responses from each Service Director will then be collated, and an overarching assurance opinion can be prepared. This will be included within the Annual Governance Statement (AGS) itself.

3.5   The AGS will then be developed along with the associated AGS Action Plan. This will be presented to SMT, before being passed to the Audit Committee, and subsequently Full Council in September 2017.

3.6   A process map detailing the AGR process is attached as Appendix One to this report.

4.   Background – Local Code of Corporate Governance

4.1   The Local Code of Corporate Governance stands as the overall statement of the Council's corporate governance principles and commitments. It follows the recommended format and largely reflects the suggested wording, given that all Local Authorities have the same or very similar governance responsibilities and should therefore share similar principles and commitments.

4.2   There is no specific duty for a local authority to prepare a local code of corporate governance, changes in Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts. This is discharged through the Annual Governance Review (See section 3). There is no legal or statutory requirement for a Council to have a Local Code of Corporate Governance, and it is therefore discretionary if a Council has one, and what status it is given. The underlying purpose of the Code is to demonstrate the Council's commitment to high standards of corporate governance, and that through the AGR process, provide assurances that these arrangements are effective.

4.3   The preparation and publication of BMBC's Annual Governance Statement is undertaken in accordance with the 'Delivering Good Governance in Local Government Framework 2016' guide, published by CIPFA. The main principles underpinning this guidance from CIPFA continues to be that local government is developing and shaping its own approach to corporate governance, taking into account the environment in which it operates. The framework is intended to assist authorities in ensuring their own governance arrangements are suitably resourced, there is sound and inclusive decision making and there is clear accountability for the use of resources to achieve the desired outcomes for stakeholders. The framework defines the principles that should underpin the governance structures of the organisation, and provides an opportunity to test existing governance structures and principles against those set out in the framework by:

- Reviewing existing governance arrangements;
- Developing and maintaining a Local Code of Corporate Governance; and,
- Reporting publically on our compliance with our own Local Code of Corporate Governance.

4.4 The revised evidence framework, sourced from the CIPFA 'Delivering Good Governance in Local Government Framework 2016' is attached as Appendix Two to this report. This will form the basis of the Council's Annual Governance Statement, which will be prepared during the summer of 2017, and subsequently presented to the Audit Committee.

5. Appendices

Appendix One – Annual Governance Review Process Map 2017
Appendix Two – BMBC Local Code of Corporate Governance Evidence Framework 2016 / 17

6. Background Information

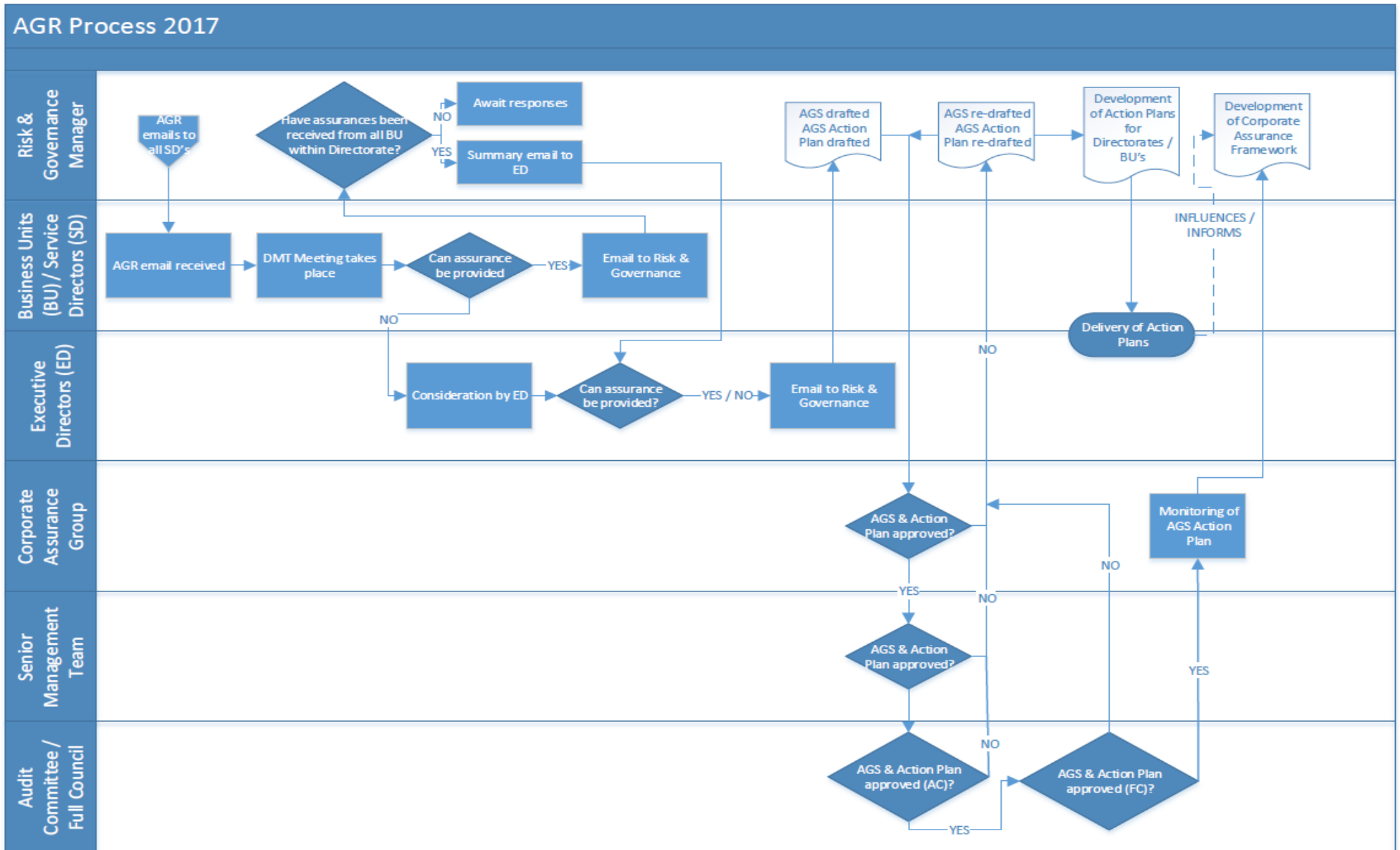Previous Audit Committee Reports
Annual Governance Review Papers
Previous Annual Governance Statements
CIPFA Delivering Good Governance in Local Government Framework 2016

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Date: **23rd February 2017**

AGR Process 2017

Risk & Governance Manager

- AGR emails to all SD's
- Have assurances been received from all BU within Directorate? — NO → Await responses
- YES → Summary email to ED
- AGS drafted AGS Action Plan drafted
- AGS re-drafted AGS Action Plan re-drafted
- Development of Action Plans for Directorates / BU's
- Development of Corporate Assurance Framework

INFLUENCES / INFORMS

Business Units (BU) / Service Directors (SD)

- AGR email received → DMT Meeting takes place → Can assurance be provided — YES → Email to Risk & Governance
- NO

Delivery of Action Plans

Executive Directors (ED)

- Consideration by ED → Can assurance be provided? — YES / NO → Email to Risk & Governance

NO

Corporate Assurance Group

- AGS & Action Plan approved?
- Monitoring of AGS Action Plan
- YES
- NO
- NO

Senior Management Team

- AGS & Action Plan approved?
- NO

Audit Committee / Full Council

- AGS & Action Plan approved (AC)?
- AGS & Action Plan approved (FC)?
- NO
- YES
- YES

Principles	Evidence
BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW **We will do this by:**	
Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	Elected Member and Officer Codes of Conduct Register of Interests Financial regulations Contract Standing Orders Anti-Fraud and Corruption Policies Anti-Money Laundering Policies Prosecutions Policy Audit Committee
Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	Corporate Plan Elected Member and Officer Codes of Conduct
Leading by example and using the above standard operating principles or values as a framework for decision making and other actions	Elected Member and Officer Protocol Elected Member and Officer Codes of Conduct Partnership Governance Framework Decision Making Policy Cabinet Report Writing guidelines Overview and Scrutiny Committee terms of reference and workplan
Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	Corporate Plan 2017 - 2020 Service and Financial Planning guidance 2017 – 2020
Seeking to establish, monitor and maintain the organisation's ethical standards and performance	Elected Member and Officer Protocol Elected Member and Officer Codes of Conduct Anti-Fraud and Corruption Policies Anti-Money Laundering Policies Prosecutions Policy Audit Committee Whistleblowing Policy
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	Elected Member and Officer Codes of Conduct
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	Cabinet Report Writing guidelines
Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards	Partnership Governance Framework

Principles	Evidence
expected by the organisation	
Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	Standing Orders Elected Member and Officer Codes of Conduct Financial Regulations Anti-Fraud and Corruption Policies Anti-Money Laundering Policies Prosecutions Policy Audit Committee Whistleblowing Policy
Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Council Constitution
Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	Council Constitution Area Council arrangements
Dealing with breaches of legal and regulatory provisions effectively	Monitoring Officer arrangements Prosecutions Policy
Ensuring corruption and misuse of power are dealt with effectively	Financial Regulations Anti-Fraud and Corruption Policies Anti-Money Laundering Policies Prosecutions Policy Audit Committee Whistleblowing Policy

ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	
We will do this by:	
Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	Council Constitution Transparency Arrangements Media / Press engagement
Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	Decision Making Policy Cabinet Report Writing Guidelines Overview and Scrutiny Committee terms of reference and workplan
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	Decision Making Policy Cabinet Report Writing Guidelines Overview and Scrutiny Committee terms of reference and workplan
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	Communications Strategy Council Website Area Council arrangements Ward Alliance arrangements
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended	One Barnsley Health and Wellbeing Partnership

Principles	Evidence
outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	Barnsley Economic Partnership Corporate Plan 2017 – 2020 Partnership Governance Framework
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.	One Barnsley Health and Wellbeing Partnership Barnsley Economic Partnership Partnership Governance Framework
Ensuring that partnerships are based on: ▪ Trust ▪ A shared commitment to change ▪ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	One Barnsley Health and Wellbeing Partnership Barnsley Economic Partnership Partnership Governance Framework
Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	Communications Strategy Area Council arrangements Ward Alliance arrangements
Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	Communications Strategy Area Council arrangements Ward Alliance arrangements
Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	Communications Strategy Area Council arrangements Ward Alliance arrangements
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	Communications Strategy Area Council arrangements Ward Alliance arrangements
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	Communications Strategy Area Council arrangements Ward Alliance arrangements
Taking account of the impact of decisions on future generations of tax payers and service users	Communications Strategy Area Council arrangements Ward Alliance arrangements Medium term Financial Strategy

DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

We will do this by:

Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and	Corporate Plan 2017 - 2020 Future Council Strategy 2017 – 2020 Workforce Planning Strategy 2017 - 2020

Principles	Evidence
other decisions	
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	Cabinet Report Writing guidelines Corporate Plan 2017 - 2020 Equality Impact Assessments
Delivering defined outcomes on a sustainable basis within the resources that will be available	Corporate Plan 2017 - 2020 Service and Financial Planning guidance 2017 – 2020 Medium Term Financial Strategy
Identifying and managing risks to the achievement of outcomes	Risk Management Framework
Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	Corporate Plan 2017 – 2020 Service and Financial Planning guidance 2017 – 2020 Medium Term Financial Strategy
Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	Cabinet Report Writing guidelines Medium Term Financial Strategy Corporate Plan 2017 - 2020 Service and Financial Planning guidance 2017 – 2020
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	Cabinet Report Writing guidelines Risk Management Framework Medium Term Financial Strategy Council Constitution
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	Communications Strategy Area Council arrangements Ward Alliance arrangements Cabinet Report Writing guidelines
Ensuring fair access to services	Access to Services Strategy
DETERMINING THE INTERVENTIONS NECCESARY TO OPTIMISE THE ACHEIVMENT OF THE INTENDED OUTCOMES **We will do this by:**	
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	Cabinet Report Writing guidelines Risk Management Framework
Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future	Communications Strategy Area Council arrangements Ward Alliance arrangements Equality Impact Assessments Workforce Planning Strategy 2017 – 2020 Local Development Plan

Principles	Evidence
impacts	Asset Management Plan
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	Service and Financial Planning guidance 2017 – 2020 Performance Management Framework
Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Communications Strategy Area Council arrangements Ward Alliance arrangements One Barnsley Health and Wellbeing Partnership Barnsley Economic Partnership Partnership Governance Framework
Considering and monitoring risks facing each partner when working collaboratively, including shared risks	Partnership Governance Framework Risk Management Framework
Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances	Service and Financial Planning guidance 2017 – 2020
Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	Performance Management Framework
Ensuring capacity exists to generate the information required to review service quality regularly	Performance Management Framework
Preparing budgets in accordance with objectives, strategies and the medium term financial plan	Medium Term Financial Strategy Service and Financial Planning guidance 2017 – 2020
Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	Medium Term Financial Strategy
Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	Medium Term Financial Strategy
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	Medium Term Financial Strategy Service and Financial Planning guidance 2017 – 2020
Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	Medium Term Financial Strategy Service and Financial Planning guidance 2017 – 2020
Ensuring the achievement of 'social value' through service planning and commissioning	Service and Financial Planning guidance 2017 – 2020

Principles	Evidence
DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT **We will do this by:**	
Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	Service and Financial Planning guidance 2017 – 2020
Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	Service and Financial Planning guidance 2017 – 2020 Performance Management Framework
Recognising the benefits of partnerships and collaborative working where added value can be achieved	Partnership Governance Framework
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	Workforce Planning Strategy 2017 - 2020
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	Elected Member and Officer Protocol Elected Member and Officer Codes of Conduct
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	Council Constitution Cabinet Report Writing guidelines
Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	Council Constitution Elected Member and Officer Codes of Conduct Senior Officer Appraisals
Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: ▪ Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ▪ Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis	Workforce Planning Strategy 2017 – 2020 Leadership and Management Training Programme

Principles	Evidence
▪ Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external	
Ensuring that there are structures in place to encourage public participation	Communications Strategy Area Council arrangements Ward Alliance arrangements
Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	Performance and Development reviews
Holding staff to account through regular performance reviews which take account of training or development needs	Performance and Development reviews
Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	Wellbeing, Targeted Intervention and Occupational Health arrangements

MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT **We will do this by:**	
Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	Cabinet Report Writing guidelines Risk Management Framework
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	Risk Management arrangements Internal Audit
Ensuring that responsibilities for managing individual risks are clearly allocated	Risk Management arrangements
Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	Performance Management Framework Risk Management arrangements
Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	Cabinet Report Writing Guidelines Risk Management arrangements
Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge	Overview and Scrutiny Committee terms of reference and workplan Audit Committee

Principles	Evidence
and debate on policies and objectives to support balanced and effective decision making	
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	Cabinet Report Writing guidelines Risk Management arrangements Overview and Scrutiny Committee terms of reference and workplan Audit Committee Internal Audit
Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	Financial Management arrangements
Aligning the risk management strategy and policies on internal control with achieving objectives	Risk Management arrangements Internal Audit Corporate Governance arrangements
Evaluating and monitoring risk management and internal control on a regular basis	Risk Management arrangements Internal Audit Corporate Governance arrangements
Ensuring effective counter fraud and anti-corruption arrangements are in place	Anti-Fraud and Corruption Policies Anti-Money Laundering Policies Prosecutions Policy Whistleblowing Policy Internal Audit
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	Risk Management arrangements Internal Audit
Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: ▪ Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment ▪ that its recommendations are listened to and acted	Audit Committee Internal Audit
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Information Governance arrangements
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Information Governance arrangements
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Information Governance arrangements
Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	Financial Management arrangements Medium term Financial Strategy
Ensuring well-developed financial management is integrated at all levels of planning and control,	Financial Management arrangements Service and Financial Planning guidance 2017 –

Principles	Evidence
including management of financial risks and controls	2020 Risk Management Framework

IMPLEMENTING GOOD PRACTICE IN TRANSPARENCY, REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY **We will do this by:**	
Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	Cabinet Report Writing guidelines Access to Services Strategy
Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	Cabinet Report Writing guidelines Access to Services Strategy Audit Committee Overview and Scrutiny Committee terms of reference and workplan
Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	Performance Management Framework Statement of Accounts Governance Arrangements
Ensuring members and senior management own the results reported	Performance Management Framework Governance Arrangements
Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	Governance Arrangements
Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate	Governance Arrangements Partnership Governance Framework
Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations	Performance Management Framework
Ensuring that recommendations for corrective action made by external audit are acted upon	Audit Committee Internal Audit
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	Internal Audit Governance Arrangements
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	External Assessments
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	Risk Management Framework Partnership Governance Framework Governance Arrangements

Principles	Evidence
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met	Partnership Governance Framework