

Audit Committee – 23rd March 2016

ANNUAL GOVERNANCE REVIEW PROCESS 2015/16

1. Purpose of Report

- 1.1 The purpose of this report is to provide a the Audit Committee with an update regarding the revised Annual Governance Review (AGR) process that has been determined for 2015/16, which will be used to influence and assist in the preparation of the Council's statutory Annual Governance Statement (AGS) for 2015/16.
- 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 the following:-

- (i) The revised Annual Governance Review processes for 2015/16;**
- (ii) The revised Local Code of Corporate Governance; and,**
- (iii) Outputs from the revised Annual Governance Review process for 2015/16 will be reported to the Audit Committee later in 2016, 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.**

3. Background – the 'old' AGR Process

- 3.1 The process that has been in use for a number of years in Barnsley was developed with reference to the guidance issued by CIPFA and SOLACE. Essentially, the process comprised the following steps:
- I. Internal Control and Governance Framework (ICGF) Lead Officers reviewed the AGR 'question set';
 - II. Assistant Directors / Heads of Service complete the AGR self assessment;
 - III. The responses detailed in the self assessment were reviewed by the relevant ICGF Lead Officers;
 - IV. The responses detailed in the self assessment were reviewed by the relevant Executive Director / Assistant Chief Executive; and
 - V. The AGS and the associated Action Plan were drafted for consideration by the Audit Committee, prior to submission to full Council.
- 3.2 During 2014, a series of Talkabouts sessions with SMT, a Managers Conference, Future Council 'drop in' sessions and Departmental Management Team meetings identified a number of corporate

processes that were seen as barriers to the Council being able to operate in a more business like manner. Specifically, the AGR process was considered to be:

- Ineffective at identifying governance issues;
- Too process driven; and
- Too time consuming.

3.3 As a result of these views, the Service Director (Finance) was asked to develop a revised process that was more proportionate, streamlined and ultimately, less of a burden for Service Directors to complete. The revised AGR process has therefore been prepared and developed on this basis.

4. The revised AGR Process

4.1 The revised AGR process has essentially been turned on its head – assurance information will now be provided to Service Directors and they will not be asked to fill anything in. The revised 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 that is already in existence, and should be known to 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. It is likely this element of the assurance information being provided to Service Directors will be developed over time, as the Internal Audit Section undertake more themed audit activity in 2015/16.
- c. Other areas of assurance information that have been identified in liaison with the ICGF 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, Risk Management etc.

4.2 Each Service Director will then be asked to confirm receipt of the email to the Risk and Governance Manager. By doing so, each Service Director will be accepting the content of the assurance information, and providing assurances that the actions detailed in the AGR Business Unit Action Plan will be implemented in the documented timescales. Each Service Director will at this stage be able to raise any issues or concerns that were not included in the original email from the Risk and Governance Manager.

4.3 The responses from each Service Director will then be collated, and an overarching assurance document will then be provided to each Executive Director, detailing the assurance responses from their Service Directors.

4.4 The AGS itself, and the associated, overarching AGS Action Plan will then be developed and considered by SMT before being passed to the Audit Committee, and subsequently Full Council in September 2016.

4.5 A presentation which provided an opportunity to reflect on the revised process was delivered to BLT on 20/10/2015. This included the consideration of reconvening the Council's Corporate Assurance Group, who it is envisaged will assist in developing elements of the AGR described in section 4.1 (c) of this report.

4.6 A process map detailing the revised AGR process is attached at Appendix One to this report.

6. Local Code of Corporate Governance

6.1 The local code 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 governance responsibilities and should therefore share the same principles and commitments.

6.2 There is no requirement for Council's to have a local code 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 through the AGR process give the assurance that arrangements are effective.

6.3 The local code is attached at Appendix Two to this report. It is prefaced with an explanation of its purpose, background to corporate governance in local authorities, the recommended framework and our own annual review and reporting process.

6.4 The local code includes six key principles, each exemplified by how the Council will seek to deliver them. The six principles are:

- We will focus on the purpose of the Authority and on outcomes for the community and create and implement a vision for the local area;
- We will ensure Elected Members and officers work together to achieve a common purpose with clearly defined functions and roles;
- We will promote values for the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour;
- We will take informed and transparent decisions which are subject to effective scrutiny and consideration of risk;
- We will develop the capacity and capability of Elected Members and officers to be effective; and,
- We will engage with local people and other stakeholders to ensure robust public accountability.

6.5 The local code is reviewed annually, as part of the overall review of the AGR process. Any actions arising from this review will be included in the AGS Action Plan, and monitored through the Audit Committee.

7. Appendices

Appendix 1 – AGR Process 2016

Appendix 2 – Local Code of Corporate Governance

Appendix 3 – Local Code of Corporate Governance (Evidence Framework)

8. Background Information

CIPFA / SOLACE guidance

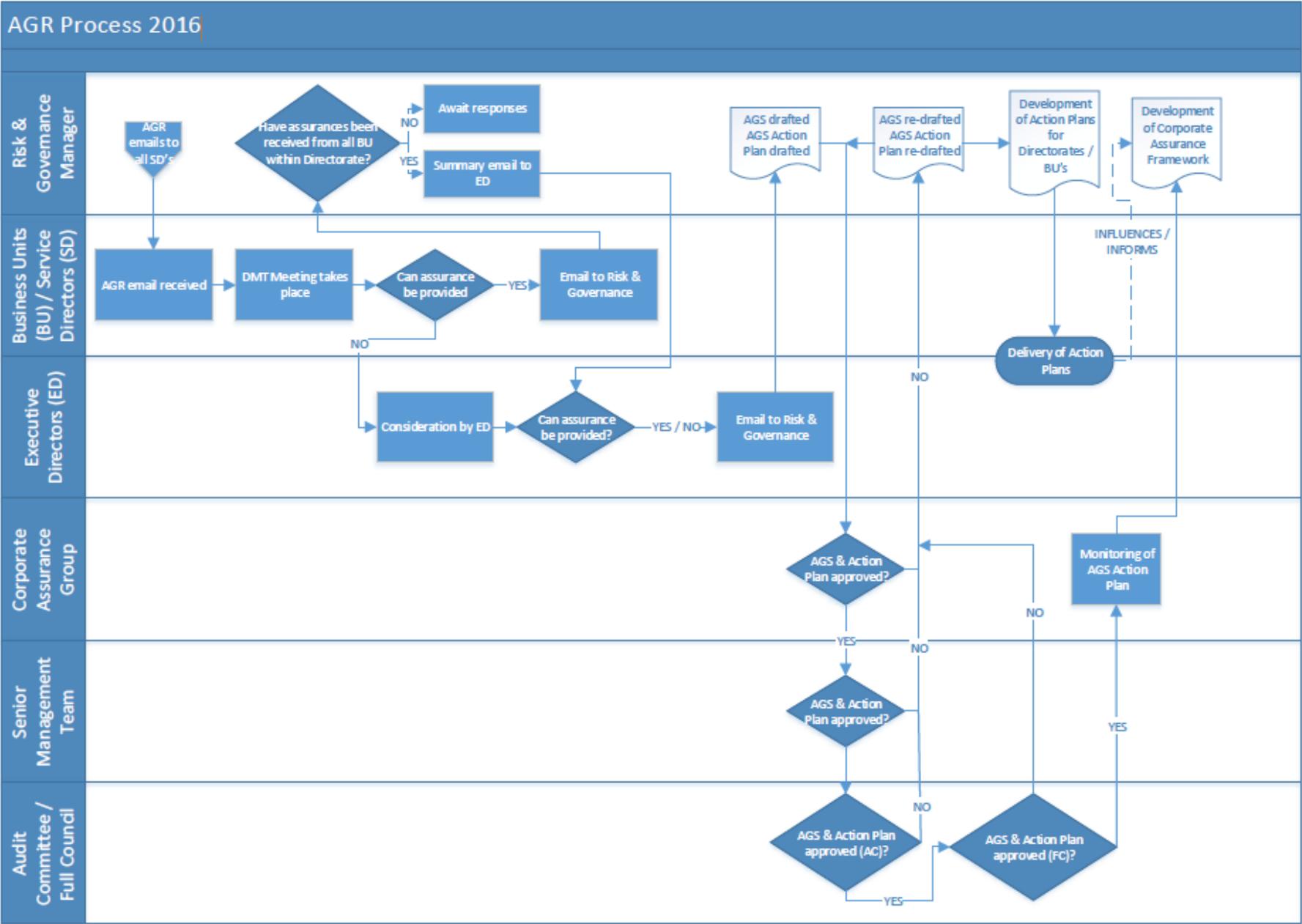
Accounts and Audit Regulations 2011

Annual Governance Statement Framework and supporting documentation

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Date: 3rd March 2016



Appendix Two: Local Code of Corporate Governance

BARNSELY METROPOLITAN BOROUGH COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE 2016 / 17

1. Purpose of the Code

1.1 This Code fulfils three purposes:

- I. It sets out what corporate governance is in a local authority context;
- II. It describes the framework and detailed requirements recommended for local authorities to follow; and,
- III. It provides a statement of the principles of good corporate governance, and that Council's commitment to adopt and follow best practice and how it intends to do this, and demonstrate it.

2. What is Corporate Governance?

2.1 Corporate Governance is about the how a local authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

2.2 Governance comprises the systems and processes, cultures and values, by which a local authority is directed, controlled, and through which they account to, engage with and, where appropriate, lead their communities.

2.3 The term 'corporate governance' came into common use in the UK in a private sector company context in 1992, following the publication of the [Cadbury Report](#) that sets out recommendations on the arrangement of company boards and accounting systems to mitigate corporate governance risks and failures. For the public sector, work on corporate governance evolved from this report through the investigations and findings of various committee that looked into corporate governance ([Hampel](#), [Turnbull \(the 'Combined Code'\)](#)) and Standards in Public Life ([Nolan](#), Neil and Wicks et al).

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), in conjunction with the Audit Commission and the Local Government Association have developed guidance and a framework that are recommended to local authorities to guide them in adopting and demonstrating good corporate governance arrangements.

3. Legislative Background

3.1 Whilst there is no specific duty for a local authority to prepare a local code of corporate governance, changes in Regulation 4(3) of the Accounts and Audit Regulations 2011 have placed a statutory duty on local authorities to prepare an Annual Governance Statement (AGS) in accordance with 'proper practices'.

4. A Local Authority Framework for Corporate Governance

4.1 To underpin the CIPFA / SOLACE framework, three principles have been defined to provide a clear focus for authorities in adopting good governance arrangements:

Openness and Inclusivity:

Openness is required to ensure stakeholders have confidence in the decision making and management processes. Being open through genuine consultation with stakeholders and providing access to full, accurate and clear information leads to the effective and timely action, and lends itself to necessary scrutiny.

Openness also requires an **inclusive** approach, which seeks to ensure that all stakeholders (and *potential* stakeholders) have the opportunity to engage effectively with the decision making processes of the authority. It requires an outward focus and a commitment to partnership working and for innovative approaches to consultation and service provision.

Integrity:

Integrity comprises both straight forward dealing and completeness. It is based on honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of public funds and the management of the authority's affairs. It is dependent on the effectiveness of the control framework and on the personal standards and professionalism of Elected Members and employees within the authority. It is reflected in the authority's decision making procedures, in its service delivery and the quality of its financial and performance reporting.

Accountability:

Accountability is the process whereby the authority, its Elected Members and officers are responsible for their decisions and actions and submit themselves to the appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

These are in turn overarched by the concept of **leadership**. Leadership is exercised through:

- Through the authority providing a vision for its community, leading by example in its decision making and other processes and actions; and,
- Having Elected Members and officers who conduct themselves in accordance with high standards of conduct.

5. The Local Code of Corporate Governance

5.1 The Council's Local Code of Corporate Governance follows the recommended framework for setting out the *Core Principles* of good governance and the *Commitments* the Council gives to deliver those principles.

6. Review and Reporting

6.1 The Council recognises the importance of good corporate governance in maintaining and enhancing public confidence. It has established a comprehensive process to annually review all aspects of the governance and internal control framework of the Council. This process is applied to prepare the Annual Governance Statement (AGS).

6.2 The AGS is signed by the Leader of the Council and the Chief Executive, having been considered by the Audit Committee and approved alongside the statutory accounts by full Council. This statement summarises the Council's governance framework, the process of annual review and highlights where risk or control issues have been identified and the action necessary to improve or correct the issue. Within this process the Local Code of Corporate Governance will be reviewed and updated as necessary.

6.3 This Local Code of Corporate Governance has been revised following the issue of guidance from CIPFA / SOLACE, as well as changes the authority has made to its own governance and control framework, as part of the journey towards the Future Council in 2015. This Local Code of Corporate Governance has been considered by the Council's Audit Committee, and subsequently approved by Full Council.

THE LOCAL CODE OF CORPORATE GOVERNANCE

Below are the Core Principles and Commitments the Council is aiming to apply and deliver:

Core Principles and Commitments

Good Governance means focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

We will do this by:

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and services users;
- Translating the vision into objectives for the authority and its partnerships and relationships;
- Review the Council's vision and its implications for the authority's governance arrangements; and,
- Measuring the quality of services for stakeholders, to ensure they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money – whether these services are delivered directly, or through partnership or commissioned arrangements.

Good Governance means Elected Members and officers work together to achieve a common purpose with clearly defined roles and functions

We will do this by:

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and overview and officer functions, with clear delegation arrangements and protocols for effective communication in respect of authority and partnership arrangements.

Good Governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

We will do this by:

- Developing, communicating and embedding code of conduct and defining the standards of behaviour for Elected Members and employees.

Good Governance means taking informed and transparent decisions which are subject to effective scrutiny and the consideration of risk

We will do this by:

- Reviewing the effectiveness of the framework for managing risks, and demonstrating clear accountability;
- Reviewing the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnership and relationship settings, and the robustness of data quality;
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained; and,
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that all expenditure is lawful.

Core Principles and Commitments

Good Governance means developing the capacity and capability of Elected Members and officers to be effective

We will do this by:

- Identifying the development needs of Elected Members and senior officers in relation to their strategic roles, supported by appropriate training.

Good Governance means engaging with local people and other stakeholders to ensure robust public accountability

We will do this by:

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation and collaborations;
- Enhancing the accountability for the service delivery and effectiveness of other public service providers; and,
- Incorporating good governance arrangements into partnership and other forms of joint working.

Appendix Three: Local Code of Corporate Governance Evidence Framework

Core Principles and Commitments	Evidence
<p>Good Governance means focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area</p> <p>We will do this by:</p>	
<ul style="list-style-type: none"> ▪ Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and services users; ▪ Translating the vision into objectives for the authority and its partnerships and relationships; 	<p><u>Council's Vision:</u> <i>Working together for a Brighter Future, a Better Barnsley</i></p> <ul style="list-style-type: none"> ▪ A Brighter future where people achieve their potential; ▪ A Better Barnsley where residents think and feel we are making a difference together; and, ▪ Working together with our communities. <p><u>Council Priorities:</u></p> <ul style="list-style-type: none"> ▪ Thriving and vibrant Economy; ▪ Citizens achieving their potential; ▪ Strong, resilient communities; and, ▪ A sustainable Future Council. <p><u>Future Council Outcomes:</u></p> <ul style="list-style-type: none"> ▪ Having a clear vision and values; ▪ Being customer focused; ▪ Having commercial and business acumen; ▪ Using a programme and project management approach; ▪ Being innovative and taking managed risks; ▪ Being a learning organisation; ▪ Having leaders at every level; ▪ Having a flexible workforce; ▪ Working with partners, communities and residents to achieve our outcomes; and, ▪ Being an enabling organisation. <p>Corporate Plan Community Strategy Partnership Governance Framework Corporate Performance Framework</p>
<ul style="list-style-type: none"> ▪ Review the Council's vision and its implications for the authority's governance arrangements; and, 	<p>Local Code of Corporate Governance</p> <p>Council's Vision</p>
<ul style="list-style-type: none"> ▪ Measuring the quality of services for stakeholders, to ensure they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money – 	<p>Corporate Plan Corporate Performance Framework Service Delivery Plans / Business Unit Plans Partnership Governance Framework Medium Term Financial Strategy Corporate Procurement Strategy and Policy</p>

Core Principles and Commitments	Evidence
whether these services are delivered directly, or through partnership or commissioned arrangements.	Service and Financial Planning Framework
Good Governance means Elected Members and officers work together to achieve a common purpose with clearly defined roles and functions We will do this by:	
<ul style="list-style-type: none"> ▪ Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and overview and officer functions, with clear delegation arrangements and protocols for effective communication in respect of authority and partnership arrangements. 	Council's Constitution Area Council Arrangements Ward Alliance Arrangements Cabinet Report Writing Guidelines Records of decisions made Overview and Scrutiny Committee terms of reference and workplan
Good Governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour We will do this by:	
<ul style="list-style-type: none"> ▪ Developing, communicating and embedding code of conduct and defining the standards of behaviour for Elected Members and employees. 	Elected Member and officer Codes of Conduct Register of Interests Financial Regulations Contract Standing Orders Anti-Fraud and Corruption Policies Anti-Money Laundering Policy Prosecutions Policy Audit Committee
Good Governance means taking informed and transparent decisions which are subject to effective scrutiny and the consideration of risk We will do this by:	
<ul style="list-style-type: none"> ▪ Reviewing the effectiveness of the framework for managing risks, and demonstrating clear accountability; 	Risk Management Framework Financial Regulations
<ul style="list-style-type: none"> ▪ Reviewing the effectiveness of the Council's decision making framework, including delegation arrangements, decision making in partnership and relationship settings, and the robustness of data quality; 	Elected Member and officer protocol Elected Member and officer Codes of Conduct Partnership Governance Framework Complaints Policy Data Quality Policy Decision Making Policy Cabinet Report Writing Guidelines Overview and Scrutiny Committee terms of reference and workplan Outputs and outcomes from consultation and engagement activity Audit Committee
<ul style="list-style-type: none"> ▪ Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained; and, 	Standing Orders Elected Member and officer Codes of Conduct Financial Regulations Anti-Fraud and Corruption Policies Anti-Money Laundering Policy Prosecutions Policy Budget Monitoring Framework Audit Committee

Core Principles and Commitments	Evidence
<ul style="list-style-type: none"> ▪ Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that all expenditure is lawful. 	Monitoring Officer Arrangements Whistleblowing Policy Prosecutions Policy Budget Monitoring Framework Audit Committee
Good Governance means developing the capacity and capability of Elected Members and officers to be effective	
We will do this by:	
<ul style="list-style-type: none"> ▪ Identifying the development needs of Elected Members and senior officers in relation to their strategic roles, supported by appropriate training. 	Area Councils Elected Member Development Programme Elected Member job descriptions / profiles Officer Personal Development Plans / review process Workforce Planning Strategy Performance Management Framework Senior Officer Appraisals Officer job description's / profiles
Good Governance means engaging with local people and other stakeholders to ensure robust public accountability	
We will do this by:	
<ul style="list-style-type: none"> ▪ Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation and collaborations; and, 	Council Constitution Area Council Arrangements Ward Alliance Arrangements Communications Strategy Council Website Community Surveys Media / press engagement Overview and Scrutiny Committee terms of reference and workplan Partnership Governance Framework Outputs of consultation and engagement events One Barnsley Health and Wellbeing Board Barnsley Economic Partnership Corporate Plan
<ul style="list-style-type: none"> ▪ Enhancing the accountability for the service delivery and effectiveness of other public service providers; and, 	Corporate Plan Partnership Governance Framework Corporate Procurement Strategy Service and Financial Planning Framework Budget setting processes
<ul style="list-style-type: none"> ▪ Incorporating good governance arrangements into partnership and other forms of joint working. 	Partnership Governance Framework