



## **Annual Governance Statement 2012-2013**

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## **Annual Governance Statement – 2012-2013**

### **A. Scope and Responsibility**

Barrow Borough Council is responsible for delivering a wide range of statutory and discretionary services to the public and organisations in the area of the Borough. The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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.

### **B. Governance**

Governance is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner.

### **C. The Council's Governance Framework**

The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is directed and controlled and the activities through which it accounts 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.

The system of 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 assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council has approved a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering

Good Governance in Local Government. The core principles identified in the framework underpin the Council's approach to governance:

1. Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and Officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability.

The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services. Appendix 1 shows the process involved in preparing the statement and link to the supporting documents. Appendix 2 depicts the AGS framework.

#### **D. Review of Effectiveness**

Barrow Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A management group consisting of the following Officers were involved in compiling this Annual Governance Statement which reviews the effectiveness of our governance framework:

- Executive Director Head of Paid Services
- Deputy Executive Director - Monitoring Officer
- Borough Treasurer - S151 Officer
- Assistant Director of Community Services
- Assistant Director of Regeneration and the Built Environment
- Housing Manager
- Democratic Services Manager
- Internal Audit Manager
- Policy Review Officer

In compiling the Annual Governance Statement the group considered recommendations from the Internal Audit annual report and the Audit Commission's Annual Governance Report.

The group was advised on the implications of the results of the review of effectiveness by the Audit Committee. The Council will continue to review weaknesses and ensure continuous improvement of the systems in place. A governance group has been established to review our governance arrangements.

The Council's governance arrangements were discussed by Management Group at their meeting of 4<sup>th</sup> February 2013.

## **E. Self-Assessment**

The Council has assessed itself against the six core principles of good governance that are defined in the Local Code of Corporate Governance.

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self-assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Team.

In addition the Council has established a governance group who has collected assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self-assessment the Council considers its governance arrangements to be of a satisfactory standard.

To support the self-assessment we reviewed the source documents recommended in the CIPFA guidance schedule and identified additional evidence to demonstrate compliance with the suggested supporting principals of good governance.

The Council's governance arrangements conform to the governance principles set out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

- **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:**
  - The Council has a strategic vision and has identified four key priorities for 2012-2015.
  - The Council uses its budget strategy and annual key priority objectives to define how the vision will be delivered.

- The Medium Term Financial Plan underpins corporate aims and priorities.
  - Effective Budget Monitoring takes place regularly.
  - The Council has developed measures including progress against key priority actions and performance indicators and reports these to senior managers and the Scrutiny Committee on a quarterly basis.
  - An Annual Report articulates the Council's activities and achievements.
- **Members and Officers working together to achieve a common purpose with clearly defined functions and roles:**
    - Senior elected Members and managers work together to deliver the Council's vision.
    - The roles of elected Members and Officers are defined in the Council's Constitution.
    - Official Member spokespersons have been identified for key areas of Council business
    - Terms of reference for Committees and the Council are clearly defined within the Constitution.
    - Clear delegations and accountabilities are laid down in the Constitution.
    - Executive Committee pre-agenda meetings with Members and Management Board ensure informed decision making.
    - Achieving compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council.
    - Financial administration procedures are produced and issued by the Borough Treasurer.
- **Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**
    - The Council promotes its culture and value through the codes of conduct which are an integral part of the Council's Constitution. This includes anti-fraud and whistle blowing arrangements. The Constitution was reviewed and amended in 2012 and the amendments were endorsed by Full Council.
    - The expected behaviour of Members and Officers is clearly defined in the constitution.
    - Contract Standing Orders and Financial Regulations have been established and embedded within the organisation.
    - The Council has an effective Internal Audit service.
    - The Standards Committee was stood down in 2012-2013 and the Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.
    - Members and Officers are required to declare interests and these are recorded in the interest register.
    - The Council also records attendance at hospitality events and gifts in a register.

- **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**
  - The Council has effective and transparent decision making processes, agendas and minutes are available to the public.
  - The Council has effective scrutiny and audit committees with formal Terms of Reference.
  - Members are provided with information and data to allow them to make informed decisions.
  - An effective system of internal control is in place and is designed to manage risk to a reasonable level rather than to eliminate all risk.
  - The Council's risk register is monitored on a quarterly basis by senior Officers and Members.
  - Active health and safety arrangements, including a robust policy and a Health and Safety Management Board
  - Devolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures, including:
    - Financial awareness training and working closely with service accountants in all aspects of financial management and administration.
    - Formal quarterly budget monitoring reports to the Executive Committee.
  - Active performance management arrangements are in place.
  - A robust complaints and compliments procedure is in place and is widely publicised.
  - Freedom of Information requests are dealt with in accordance with established protocols.
  
- **Developing the capacity and capability of Members and Officers to be effective:**
  - An induction programme is in place for Officers and Members.
  - All elected Members have personal development plans to improve their knowledge and skills.
  - A Member training and development programme is in operation and there is a spokesperson for member development.
  - The Council has a corporate training plan for staff development.
  - The Council has appointed a number of "learning" representatives to support staff development.
  - The Council has Section 151 and Monitoring Officers.

- **Engaging with local people and other stakeholders to ensure robust public accountability:**
  - The Council's approach to communication is defined in the consultation strategy.
  - The Council publishes an annual report to inform residents of the Council's financial and service delivery performance.
  - Committee and Council meetings are open to the public, with papers available on the internet.
  - The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, the Barrow and District Disability Association, Age UK and the Blind Society.

## **F. Internal Audit opinion**

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Code of Practice for Internal Audit in Local Government. The effectiveness of the Internal Audit function is examined on an annual basis. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. The work is delivered through a risk-based approach to the Internal Audit planning process resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

The following paragraphs are extracted from the Head of Internal Audit's Annual Report and provide the opinion for 2012-2013:

This report provides reasonable assurance that the majority of key controls were operating satisfactorily.

*My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.*

*There are however, two areas where only Restricted Assurance can be provided, which relate to:*

- *Dalton MUGA Contract*
- *Risk Management*

*Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to*

*senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.*

### **Dalton MUGA contract:**

The Priority 1 recommendation was presented to the Audit Committee at their meeting of 13<sup>th</sup> December 2012. It was agreed that it was a retrospective recommendation for this contract and there was no action to be taken. However, the Audit Committee agreed to continue to monitor contracts to ensure appropriate documentation was in place. The Committee discussed the Priority 1 recommendation for the Dalton Urban Park and expressed their concerns that this issue should not arise again. The Borough Treasurer assured Members that there was now a contract checklist in place which guided Officers when preparing contracts to prevent such issues arising in the future.

From 1<sup>st</sup> April 2013 the Senior Legal Assistant will monitor new contracts through the contract monitoring checklist process. .

### **Risk Management**

Internal Audit reviewed the three outstanding recommendations made in Audit Report 11-08 (Business Continuity), dated December 2011. The Council acknowledge the need for enhanced business continuity arrangements and its response to this report is covered in Section H: significant risks.

### **G. Financial management**

The Borough Treasurer is the Officer charged with statutory responsibility for the proper administration of the Council's financial affairs, this statutory role is the Chief Financial Officer. In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. The Council's financial management arrangements conform to the governance requirements of the Statement.

The Borough Treasurer:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.

- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Borough Treasurer has established a Medium Term Financial Plan for the period 2012 -2016 based on the Council's Budget Strategy in order to meet the challenge of reduced Central Government funding.

## **H. Significant governance and internal control issues**

A number of recommendations were made by the Audit Commission in their Annual Governance report for 2011-2012 and these have been addressed during 2012-2013:

Recommendation 1: Introduce robust on-going assurance gathering arrangements to support the Council's annual governance statement.

**The Council has undertaken an assurance gathering exercise and has assessed and reported the output. This is deemed to be effective and will be conducted annually to support the annual governance statement.**

Recommendation 2: Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution.

**The Borough Treasurer reviewed the security and liquidity of the financial institutions eligible under the counterparty criteria within the Council approved Treasury Strategy in quarter 2. This was deemed to be satisfactory and monies were placed outside of the Council's main banking institution from quarter 3 onwards.**

Recommendations 3: Introduce operational risk register to ensure risks are being monitored and managed at an appropriate level.

**Management Board has agreed an operational risk register which is monitored by Management Board and the Audit Committee.**

**The need to enhance business continuity management has been acknowledged by the Council and senior managers have considered the recommendations made by Internal Audit. The Council's response is detailed below:**

- a) The Policy Review Officer has been assigned responsibility for developing and monitoring the Business Continuity plan
- b) Clearly defined roles and responsibilities of the Management Board and an Incident Management Team in respect of BCM have been identified and are stated in the Business Continuity plan.

- c) Suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels will be considered when the BCM has been approved
- d) Promotion and awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities will be considered when the BCM has been approved

**The Council is developing a Business Continuity Plan. The approval of the plan has been delayed pending confirmation of the location of back up Information and Communication Technology (ICT) infrastructure.**

**Management board has agreed that the back-up ICT infrastructure will be located within the Housing Department. A project to develop supporting infrastructure within the Housing Department has been initiated and this is being progressed.**

**The draft Business Continuity Plan was presented to Management Board in June. The project to develop infrastructure support has impacted on the on the plan which is now anticipated to be completed in Q3.**

We will continue to take steps to address significant governance issues and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our on-going review.

## **I. Action Plan**

### Action plan for 2013/14

| <b>Action</b>  | <b>Responsible officer</b>           | <b>Due date</b> |
|--|--------------------------------------|-----------------|
| Monitor new contracts against contract checklist.              | Deputy Executive Director            | On-going        |
| Monitor contracts to ensure compliance with contract checklist | Deputy Executive Director            | On-going        |
| Develop disaster recovery infrastructure arrangements          | ICT Manger and Policy Review Officer | Q4 2013/14      |
| Complete outstanding Business Continuity Plan actions          | Policy Review Officer                | Q4 2013/14      |

## **J. Certification Statement**

The review of the governance arrangements for the financial year 2012-2013 has not highlighted any areas of major concern for the Council other than those identified in Section H. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Signed:  
Mr P Huck  
Executive Director  
26 September 2013

Signed:  
Councillor Mrs A Burns  
Audit Committee Chairman  
26 September 2013