

AUDIT AND STANDARDS COMMITTEE AGENDA

Monday, 29 January 2018 at 10.00 am in the Blaydon Room - Civic Centre

From the Chief Executive, Sheena Ramsey

Item	Business
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1	Apologies for Absence
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2	Minutes (Pages 3 - 10)
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The Committee is asked to approve as a correct record the minutes of the meeting held on 2 October 2017.

3	Declarations of Interest
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Members of the Committee are invited to declare interests in any agenda items.

4	External Audit: Annual Audit Letter 2016-17 (Pages 11 - 26)
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Report of the Strategy Director, Corporate Resources

5	External Audit: Audit Progress Report (Pages 27 - 38)
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Report of the Strategic Director, Corporate Resources

6	Corporate Risk Management 2017/18 - Quarterly Report to 31 December 2017 (Pages 39 - 42)
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Report of the Strategic Director, Corporate Resources

7	Counter Fraud and Corruption Arrangements (Pages 43 - 74)
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Report of the Strategic Director, Corporate Resources

8	Local Code of Governance (Pages 75 - 130)
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Report of the Strategic Director, Corporate Services and Governance

9	Exclusion of the Press and Public
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The Committee may wish to exclude the press and public from the meeting during consideration of the exempt agenda in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972.

10	Internal Audit Plan 2017/18 - Quarterly Monitoring Report to 31 December 2017 (Pages 131 - 140)
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Report of the Strategic Director, Corporate Resources

11 | Date and Time of Next Meeting

Monday 5 March 2018 at 10.00am in Gateshead Civic Centre

Contact: Helen Conway- Tel: 0191 433 3993 - Email: helenconway@gateshead.gov.uk

Date: Friday, 19 January 2018

GATESHEAD METROPOLITAN BOROUGH COUNCIL

AUDIT AND STANDARDS COMMITTEE

Monday 2 October 2017

PRESENT: Councillor J Turnbull (In the Chair)
Councillors J Green, J McClurey and J McElroy
Mr S Bell and Mr G Clark

APOLOGIES: Councillors L Green and H Haran

ASC83 MINUTES

The minutes of the last meeting held on 24 July 2017 were approved as a correct record.

The Committee wished to place upon record their congratulations to Cllr Helen Haran who had recently given birth to a baby daughter.

The Committee also wished to place on record their thanks to Martin Harrison, who was present for the last time, as he would be retiring from the Council at Christmas. The Committee thanked him for all his work and wished him well for the future.

The Committee welcomed Deborah Hill, Service Director, Corporate Services and Governance who was observing the meeting. She will be taking over from Martin Harrison after his retirement.

ASC84 DECLARATIONS OF INTEREST

There were no declarations of interest raised.

ASC85 APPOINTMENT OF INDEPENDENT PERSON AND INDEPENDENT MEMBERS TO THE AUDIT AND STANDARDS COMMITTEE

The Committee received a report requesting them to note the Council's decision with regard to the appointment of an Independent Person for standards of conduct issues affecting Council and Parish Council Members and also the three Independent Members to the Audit and Standards Committee.

The Council on 19 July 2012 appointed Anthony Atkinson as its Independent Person for standards of conduct issues affecting Council and Parish Council Members for a three year period. It subsequently agreed to extend this appointment for a further two years. As Mr Atkinson's term of office was due to expire a recruitment was undertaken. The opportunity was also taken to carry out a similar process for the Independent Member positions on the Audit and Standards Committee.

Following the recruitment process the Panel identified Mr Atkinson as the most

suitable person for the Independent Person position. The Panel also agreed that two of the existing Independent Members of the Committee, Bryn Jones and George Clark, should be re-appointed to the positions and that a new Independent Member, Stuart Bell, should be appointed.

The Council on 21 September 2017 considered the recommendations of the Panel and agreed to their appointments for a period of four years.

RESOLVED - That the Committee noted the Council's decision on the appointment of the Independent Person and Independent Members.

ASC86 MAZARS AUDIT PROGRESS REPORT

The Committee received the Audit Progress Report, from the External Auditor, Mazars.

The report outlined:

- 2016/17 audit
- Objection to the accounts
- 2017/18 audit
- National publications and other updates

The Committee were advised that the objection, had been made by a member of the public, was sent to Mazars and copied to the Council, on 6 July 2017. The objection relates to the Lender Option Borrower Option (LOBO) loans currently held by the Council.

Mazars are satisfied that this is a valid objection for consideration and work is now underway to determine the objection.

As a result of the objection, Mazars have been unable to issue the certificate to conclude the 2016/17 audit by 30 September 2017. Work is underway to determine the objection.

RESOLVED - That the contents of the external auditor's report be noted.

ASC87 RESULTS OF 2016/17 CIPFA AUDIT BENCHMARKING

The Committee received a report, advising of the annual Chartered Institute of Public Finance & Accountancy (CIPFA) Audit Benchmarking results for 2016/17.

The Internal Audit Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of the Council's resources.

Benchmarking data allows the comparison of the Council's Internal Audit Service with 20 other local authorities (29 in 2015/16).

A summary report was also tabled of the 2016/17 benchmarking results. Overall this continues the trend from previous years and highlights the Council's Internal Audit Service as being low cost with high productivity; in comparison with other local authorities in the benchmarking data.

The information is based upon 2016/17 actual results taken from the financial ledger and Galileo; the Internal Audit Management system.

RESOLVED - That the information be noted.

ASC88 CORPORATE RISK MANAGEMENT QUARTERLY REPORT TO 30 SEPTEMBER 2017

The Committee received a report updating the developments in Corporate Risk Management during the period 1 July to 30 September 2017 in compliance with the requirements of good corporate governance.

The Action Plan for the delivery of the Developmental Objectives for 2017/18 incorporating progress to date was also tabled, work is progressing as per the plan and further details about the specific areas are outlined below:

The work on the refresh of the Strategic Register has continued during the period and has identified the following seven key strategic risks which may impact on the Council's ability to deliver the strategic objectives included within Vision 2030 and the Council Plan:

- Failure to address the financial gap in the Council's budget and achievement of the Medium Term Financial Strategy
- Failure to manage demand and expectations
- Failure to safeguard vulnerable children and adults
- Failure to attract inward investment and sustainable economic growth
- Non-compliance against current statutory duties and legislation affecting the whole Council (Corporate)
- Failure to address workforce planning and resourcing
- Major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical service or an impact on a community

The number of strategic risks has reduced from the current register as some risks have merged and some are no longer applicable. A summary of these changes were also tabled for information.

To ensure all controls, either current or planned, have been identified the draft register has been circulated to all Service Directors for comment. The responses have been received and are being reviewed to identify any further controls which need adding to the draft register prior to the register being approved and adopted.

A new crime has been introduced in the Criminal Finance Act 2017, the failure to prevent the criminal facilitation of tax evasion, which takes effect from 30 September 2017.

The Act is likely to impact primarily on higher risk organisations such as those in the finance industry but the Corporate Risk Management team are co-ordinating a risk assessment of all Council services to ensure procedures are in place and have been affectively communicated for any areas where this type of crime could be attempted.

The key risk areas within the Council are likely to include:

- Exchequer Services;
- Payroll; and
- Business Rates

In addition to the service specific risk assessment the Council's Insurance and VAT teams will be consulted as part of this exercise as the controls in place within these areas will also mitigate this risk.

An update on the progress of this work will be provided at the next Committee.

The Risk and Resilience Group met on 19 September and the following items were discussed:

- Responses from the consultation with Service Directors on the draft Strategic Risk register;
- Progress on the actions arising from the Pandemic Influenza Business Continuity Planning exercise completed in April;
- Resilience and emergency planning updates in relations to recent planning exercises and operations;
- Health and Safety overview including work that is taking place in Gateshead following the Grenfell Tower incident; and
- Engagement with Services in relation to Critical ICT Systems Service Planning

RESOLVED - That the information be noted.

ASC89 REVIEW OF INTERNAL AUDIT CHARTER

The Committee received a report informing the Committee of the review of the Internal Audit Charter.

The purpose, authority and responsibility of Internal Audit must be formally defined in an Internal Audit Charter, consistent with the definition of Internal Auditing outlined in Public Sector Internal Audit Standards (PSIAS). The Chief Internal Auditor must periodically review the internal audit charter and present it for approval.

The PSIAS have been revised from 1 April 2017 in line with new and revised IPPF Global standards and consequently amendments have been made to incorporate the additional public sector requirements and interpretations.

The Internal Audit Charter has been revised to accommodate the changes made to the PSIAS. It was last presented to Committee in October 2016, and final approval of the Internal Audit Charter resides with the Audit and Standards Committee.

The main points and changes to the PSIAS and subsequently the Internal Audit

Charter are summarised as follows:

- Emphasis on proper safeguards being in place where the Chief Audit Executive has roles beyond Internal Audit.
- The Standards now explicitly refer to the service considering 'trends and emerging issues that could impact on the organisation'.
- Specifically references that the Service should be 'future focussed and continually add value to the organisation'.
- Inclusion of a new interpretation relating to reliance on other assurance providers.

RESOLVED – That the revised Internal Charter be approved to comply with Public Sector Internal Audit Standards

ASC90 ANNUAL GOVERNANCE STATEMENT 2016/17 - INTERNAL REVIEW OF MANAGERS' ASSURANCES

The Committee received a report informing of the outcome of the work by the Internal Audit Service in reviewing assurances provided by Service Directors to inform the 2016/17 Annual Governance Statement.

The 2016/17 Annual Governance Statement Audit was carried out using a theme based approach across the Council. All Service Directors were required to provide evidence to support their declarations made on the Governance Statement in response to the following questions:

- Partnership Arrangements
- Key Decision Making

The audit concluded that systems and controls were operating well and no recommendations were raised.

The overall conclusion of this work, as included in the quarter one update from Internal Audit reported to the July Committee, is that the systems and processes for the completion of the Managers' Assurance Statements are operating well and that they provided a good level of assurance for the 2016/17 Annual Governance Statement.

RESOLVED - That the information be noted.

ASC91 TREASURY MANAGEMENT - PERFORMANCE TO 30 SEPTEMBER 2017

In accordance with CIPFA's Code of Practice on Treasury Management and the Council's Treasury Policy Statement and Treasury Strategy, the Committee received the six months to 30 September 2017 performance report in respect of the Treasury Management Service, covering investments and borrowing

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in

low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending obligations.

The report set out performance in respect of Investments, Rate of Return and Borrowing and an update was provided in respect of the deposit the Council had made to Heritable Bank.

The summary of the mid-year performance highlighted that the projected net impact of investment and borrowing activity on the revenue budget in 2017/18 is an underspend of £1.056m, comprising £0.715m General Fund and £0.342m in HRA.

Investment returns are likely to remain relatively low during 2017/18 and beyond and interest rates are expected to be below long term borrowing rates therefore value for money considerations indicate that best value can be obtained by delaying new external borrowing and by using internal cash balances to finance new capital expenditure in the short term (this is referred to as internal borrowing).

Internal borrowing does have an element of interest rate risk on the overall treasury management position, if interest rates were suddenly to rise but this is being taken into account when discussing potential borrowing options with our treasury management advisers, CAPITA>

RESOLVED - That the Treasury Management Performance to 30 September 2017 be noted.

ASC92 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED - That the press and public be excluded from the meeting during consideration of the remaining business in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972.

ASC93 INTERNAL AUDIT PLAN 2017/18 QUARTERLY MONITORING REPORT TO 30 SEPTEMBER 2017

A report was presented outlining progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2017/18. The report also summarised the main findings arising from audit activity throughout the period 1 April 2017 to 30 September 2017.

RESOLVED - That the information be noted.

ASC94 COUNTER FRAUD UPDATE

A report was presented on activity undertaken since April 2017 by the Internal Audit

and Risk Services in relation to Counter Fraud.

To support and further develop the counter fraud work currently carried out by the Internal Audit and Risk Service an invest to save budget option was included in the 2017/18 budget to create two dedicated Corporate Fraud Officer posts from 1 April 2017.

The Corporate Fraud Officers will carry out proactive anti-fraud and corruption work, targeting the areas which have been identified nationally as being at a high risk of fraud, and include:

- Council tax discounts and exemptions
- Council tax benefits
- Non-domestic rates relief
- Blue badge scheme misuse
- Procurement fraud, including links to organised crime
- Tenancy fraud (domestic and commercial)
- Employee corporate fraud
- Direct payments
- Insurance fraud

Other work will include carrying out fraud investigations, delivering training to increase awareness throughout the Council, drafting of a Council Counter Fraud and Corruption Policy and Fraud Response Plan and provision of increased support to management to prevent and detect fraud.

The Corporate Fraud Team has identified two initial areas to focus as proactive counter fraud reviews. These are non-domestic rates relief and blue badge scheme misuse.

An exercise is currently underway to identify cases of potential Business Rates/Charities Fraud. This review involves checking business rates accounts which are receiving both mandatory and discretionary charitable relief.

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

The 2016/17 exercise is currently underway following the submission of data in October 2016 and the release of data matches in January 2016 for the 15 data sets included in the NFI exercise. The data covers payroll, pensions, trade creditors' payment history and standing data, housing (current tenants) and right to buy, housing waiting lists, housing benefits, council tax reduction scheme, council tax, electoral register, student loans, private supported care home residents, transport passes and permits (including residents' parking, blue badges and concessionary travel), insurance claimants, licences (marker trader, taxi driver and personal licences to supply alcohol) and personal budget direct payments.

A total of 8,763 matches have been identified, of which 1,954 are 'recommended' matches which have been prioritised for investigation. All 'recommended' matches

should be investigated by the end of January 2018. As at 19 September 2017, 793 of the 1,954 recommended matches are either processed or under investigated. Currently no overpayments have been identified which are recoverable.

It is the intention that a six monthly report will be presented to the Audit and Standards Committee which will provide an update on the work of the Corporate Fraud Team, action taken to raise awareness of the risk of fraud and corruption to assist in embedding a strong counter fraud culture throughout the organisation, reporting cases of potential fraud and irregularity, proactive counter fraud work completed and progress of the Council's participation in NFI.

RESOLVED – That the information be noted.

ASC95 DATE AND TIME OF NEXT MEETING

The next meeting will be held on Monday 29 January 2018 at 10.00am.

Chair.....

TITLE OF REPORT: External Auditor: Annual Audit Letter 2016-17

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

- 1 This report requests that the Committee note the external auditor's Annual Audit Letter 2016-17.

Background

- 2 The letter provides a summary of the external auditor's work and findings for 2016-17 in respect of: -
 - Audit of the financial statements
 - Value for Money conclusion
 - Other reporting responsibilities
 - Fees
 - Future challenges
- 3 The external auditor's report is attached at Appendix A.

Recommendation

- 4 The Committee is requested to note the contents of the external auditor's Annual Audit Letter.

Contact name: Craig Oakes Ext - 3711

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Annual Audit Letter

Gateshead Council



For the year ended 31 March 2017



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Executive summary

Purpose of this report

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Gateshead Council ('the Council') for the year ended 31 March 2017. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 ('the 2014 Act') and the Code of Audit Practice issued by the National Audit Office ('the NAO'). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of work	Summary
Financial statements opinion	On 31 July 2017 we issued our opinion that the financial statements gave a true and fair view of the Council's financial position as at 31 March 2017 and of its financial performance for the year then ended.
Opinions on other matters	On 31 July 2017 we issued our opinion that the Narrative Report published with the financial statements, was consistent with those financial statements.
Value for Money conclusion	On 31 July 2017 we issued our conclusion that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
Whole of Government Accounts	In line with instructions issued by the NAO, on 29 September 2017 we issued our assurance certificate which reported that the Council's consolidation pack was consistent with the audited financial statements.
Matters that we report by exception	<p>We did not identify any matters to report in relation to whether the Annual Governance Statement was in line with our understanding of the Council and the requirements of the Delivering Good Governance in Local Government Framework 2016.</p> <p>We received one objection to the Council's 2016/17 financial statements from a local elector on 6 July 2017. Whilst we have concluded that there were no matters from this objection that prevented us from issuing our opinion on the Council's financial statements of value for money conclusion, at this stage our work on the objection is ongoing.</p>

Given our work on the objection to the Council's financial statements is currently ongoing, we have not been yet able to certify the closure of the 2016/17 audit.

Audit of the financial statements

Financial statements opinion

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2017 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing for the UK and Ireland (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Accounts Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2017:

Financial statement materiality	£8.133 million
Specific materiality	We have applied a lower level of materiality to the following items of account: <ul style="list-style-type: none">• Officer's remuneration;• Member's allowances; and• Termination payments.
Trivial threshold	£325,000

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Standards Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Significant risk	How we addressed the risk	Audit conclusion
Management override of control In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	Our testing strategy included: <ul style="list-style-type: none"> • reviewing material accounting estimates, which may have been subject to management bias, included in the financial statements; • consideration and review of unusual or significant transactions outside the normal course of business; and • testing of journals recorded in the general ledger and other adjustments made in preparation of the financial statements. 	Our work provided the assurance we sought and did not highlight any material issues to bring to your attention.
Revenue Recognition There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk.	We addressed this risk through performing audit work over: <ul style="list-style-type: none"> • cash receipts from March to May 2017 to ensure they had been recognised in the right year; • testing adjustment journals; and • obtaining counterparty confirmation for major grant income. 	Our work provided the assurance we sought and did not highlight any material issues to bring to your attention.
Pensions Estimates (IAS19) The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and	We discussed with key contacts significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:	Our work provided the assurance we sought and did not highlight any material issues to bring to your attention.

Significant risk	How we addressed the risk	Audit conclusion
includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	<ul style="list-style-type: none"> evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office. 	
Property, Plant and Equipment (PPE) Valuations of these assets, in particular of land and buildings, require work from an expert valuer. Valuations of buildings must reflect both the condition of the building but also the valuation basis for that class of building as required by the CIPFA 'Code'.	We examined the professional qualifications of the Council's valuer and challenged and substantiated the assumptions and the appropriateness of the date of the valuation used by your valuer in completing the valuations. In addition, we: <ul style="list-style-type: none"> ensured that valuations and impairments had been completed on the correct basis for each item and that movements were in line with expectation; and assessed whether the report produced by the valuer was correctly reflected in the accounts. 	Our work provided the assurance we sought and did not highlight any material issues to bring to your attention. However, our work identified two non-material issues in relation to the way that the Council revalued particular assets.
Introduction of new Payroll system (iTrent) The Council introduced a new Payroll system in April 2016. This introduction brings with it the potential for a material misstatement in the 2016/17 financial statements.	We liaised with officers and carried out substantive testing in order to gain assurance that the transfer of information between payroll systems was carried out accurately and did not result in a material financial misstatement.	Our work provided the assurance we sought and did not highlight any material issues to bring to your attention.

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any deficiencies that required reporting to Members

Value for Money conclusion

Value for Money conclusion

Unqualified

Summary of our work

We are required to form a conclusion as to whether the Council made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making.
- Sustainable resource deployment.
- Working with partners and other third parties.

The following table provides commentary of our findings in respect of each of the sub-criteria and an indication as to whether proper arrangements are in place.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>During the year there has been a change in senior positions at the Council with both a new Council Leader and a new Chief Executive now in place.</p> <p>The Council has a clear governance structure which is regularly reviewed and where necessary adjusted to remain fit for purpose. A formal constitution is in place setting out the scheme of delegation for decisions which was last updated in September 2016 and is available on the Council's website.</p> <p>The Council's 2016/17 Annual Governance Statement provides a summary of the governance and management arrangements in place to ensure informed decision-making and explains how assurance on the effectiveness of these arrangements in the year has been provided to the Audit and Standards Committee.</p> <p>The Council Plan, is in place for the period 2015 to 2020 setting out how the Council will play its part in realising Vision 2030 which is Gateshead's Sustainable Community Strategy, produced with a wide range of partners and others with a stake in the area.</p>	Yes

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>Council formally approve the 2016/17 budget at their meeting on 25 February 2016. Included within the approved Budget was a requirement to achieve savings of £18.8 million during the year (see below for the results of our work on these savings).</p> <p>Cabinet received a report on 20 June 2017, outlining a final 2016/17 Revenue position of a £1.3 million underspend. This extends the Council's track record of delivering increasingly challenging revenue outturns within the agreed budgets.</p> <p>The Council ended 2016/17 with general reserves of £16.8 million (£16.3 million in 2015/16). There were also £33.8 million of earmarked general fund reserves (£36.7 million in 2015/16). The level of general fund balances is approved annually by Cabinet and Council as part of the MTFS review.</p> <p>A Capital Strategy is in place which reflects the Council's priorities. All capital schemes are appraised and prioritised to ensure they reflect the key investment requirements in the strategy. The capital programme is included as part of the MTFS.</p> <p>The Change Programme will play a critical role in the transformation change and future performance of the Council as the reductions in central government funding continues for the foreseeable future. We comment on the Change Programme in the significant risk section below.</p>	Yes
Working with partners and other third parties	<p>The Council has written procedures for procuring products and services, which are within its Constitution. Contract Procedure Rules outline the financial regulations currently in place</p> <p>The Council's risk register includes a strand on partnership working due to the importance of this area. It is involved in a number of significant partnerships, including:</p> <ul style="list-style-type: none"> • South Tyne and Wear Waste Management Partnership: This partnership was established to procure a service for treating and disposing of residual municipal waste. In April 2011, the partnership signed a £727 million PFI contract with a consortium led by SITA UK. 2014/15 was the first year of trading; and • Gateshead Regeneration Partnership: The Council formally appointed Evolution Gateshead as partner in a joint venture vehicle in 2012. This Partnership is part of the Housing Market Renewal and Growth Strategy. Construction is ongoing on the first tranche of sites and the second tranche of sites is also progressing. 	Yes

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
<p>Sustainable resource deployment</p> <p>The Council continues to face financial pressures from reduced funding, increased demand and changing responsibilities. The Council is responding to the challenges by a programme of efficiencies, service reviews and developing new ways to manage demand and deliver services. Failure to have appropriate arrangements in place to identify and deliver this programme poses a significant risk to the Council's ability to deliver its strategic priorities and maintain statutory functions.</p>	<p>We reviewed:</p> <ul style="list-style-type: none"> • monitoring and action plans for a sample of savings included in the budget; • the updated Medium-Term Financial Strategy; • budget monitoring reports and other finance updates; • the progress made in identifying further savings required; and • progress on the Council's Change Programme. 	<p>In recent years, the Council has delivered a range of significant savings whilst aiming to minimise impact on service delivery. The level of savings is, however, challenging and there have been decisions made on both the range and the level of services that the Council can deliver.</p> <p>In 2016/17, the Council reported £16.6 million savings whilst also delivering an underspend of £1.3 million.</p> <p>In the 2017/18, the Council has again set a challenging savings target of £13.2 million, made up of several savings plans. Based on our review of the arrangements in place and management's responses to our challenge on the deliverability of a sample of savings plans, whilst acknowledging that this will be an ongoing challenge, we have no issues to report in this area.</p> <p>In addition, the process of working with Directorates to identify savings for the 2018/19 savings, currently identified in the Medium Term Financial Strategy (MTFS), as £20.6 million have begun.</p> <p>The Council's latest MTFS, presented to Cabinet in July 2017, covered the period 2018/19 to 2022/23 and is designed to help ensure resources are aligned to the outcomes in the Council Plan 2015-2020. The MTFS sets the financial context for the Council's resource allocation process and budget setting. Over the five year period the Council faces a funding gap that is currently estimated at £88 million. The size of this shortfall represents a significant challenge to the Council's effective financial planning and medium term financial sustainability.</p>

Other reporting responsibilities

Exercise of statutory reporting powers	Objection received
Annual Governance Statement	No matters to report
Whole of Government Accounts consistency with the financial statements	Consistent
Other information published alongside the financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters which we report by exception

The 2014 Act provides us with specific reporting powers where matters come to our attention that require reporting to parties other than the Council. We have the power to:

- report in the public interest; and
- make statutory recommendations to the Council, which must be responded to publicly.

In addition we must respond to any objections or questions on items contained within the accounts raised by a local government elector. We did not receive any such objections or questions.

We received one objection to the Council's 2016/17 financial statements from a local elector on 6 July 2017. The objection concerned the Council's involvement with borrowing instruments called Lender Option Borrower Options (LOBOs) and were seeking to make formal objections to the statement of accounts. LOBOs give the lender options to increase the interest rates payable by the Council at pre-determined intervals during the term of the borrowing. At these points, the Council also has the option to walk away from the borrowing and look to refinance the debt from alternative sources. Through our discussions with the NAO and other audit suppliers to local government bodies across England, it has become

apparent that similar objections have been received at a number of local authorities.

We were able to determine that the information provided to us by the objector did not give rise to a risk of material error in the Council's financial statements and as such were able to issue an unqualified opinion on the financial statements on 31 July 2017. Our work on the objection is currently ongoing and as such cannot yet issue our certificate formally closing the 2016/17 audit. We anticipate being in a position to do so within the next two months.

We are also required to report if, in our opinion, the Annual Governance Statement does not comply with the guidance issued by CIPFA in 'Delivering Good Governance in Local Government; Framework 2016' or is inconsistent with our knowledge and understanding of the Council. We did not exercise any of our reporting powers during our 2016/17 audit and had no matters to report to the Council in relation to the Annual Governance Statement.

Reporting to the NAO in respect of Whole of Government Accounts

The NAO requires us to report to them whether consolidation data that the Council has submitted is consistent with the audited financial statements, and to undertake specified procedures on that data. We have concluded and reported that the consolidation data is consistent with the audited financial statements.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the information in the Narrative Report was consistent with the audited financial statements.

Our fees

Fees for work as the Council's appointed auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit and Standards Committee in March 2017.

Having completed our work for the 2016/17 financial year, we can confirm that our final fees are as follows:

Area of work	2016/17 proposed fee	2016/17 final fee
Code audit work	£130,298	£130,298
Certification of Housing Benefit Subsidy Claim	£12,405	£12,405

Please note that our work on the Housing Benefit Subsidy Claim is not yet completed and consequently the final fee quoted above is still on an estimated basis.

We confirm that the fees are in line with the scale fees set by Public Sector Audit Appointments Ltd.

With regard to other non-Code work, we have been commissioned to carry out work in relation to the Pooling of Housing Capital Receipts Return (£1,800) and Teachers' Pensions Return (£3,750).

Future challenges

Financial outlook

The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.

In 2016/17, significant additional savings of £16.6 million were delivered and there was also a small underspend against budget.

In recent years, the Council has delivered a range of significant savings whilst aiming to minimise impact on service delivery.

The level of future savings required (estimated to be £88 million over the next 5 years) represents a significant challenge to the Council's effective financial planning and medium term financial sustainability.

Operational challenges

The key challenges for the future include:

- the ongoing delivery of the estimated funding gap identified in the MTFS;
- managing the increases in demand for social care and the impact of welfare reform;
- prioritising local economic growth to generate income to help sustain Council service delivery in key areas. This includes the regeneration work being carried out at the Gateshead Quays and Baltic Business Quarter;
- the impact of the UK's exit from the European Union; and
- delivering change and improvement through the initiatives identified above and others, whilst maintaining sound delivery of day-to-day services, which the Council is seeking to manage through its strategic plan.

How we will work with the Council

We will focus our 2017/18 audit on the risks that these challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money. We will also share with you relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

We have worked successfully with your officers to bring forward the accounts and audit timetable ahead of the statutory requirement to do so. We will reflect on the experience this year and seek to make improvements so that the process is further improved for the 2017/18 financial year.

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Title of Report: External Auditor: Audit Progress Report

Report of: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

- 1 This report updates the Audit and Standards Committee on Mazars progress in delivering their responsibilities as external auditor.

Background

- 2 The report outlines:
 - 2016/17 audit
 - 2017/18 audit
 - National publications and other updates.
- 3 The external auditor's report is attached at Appendix A.

Recommendation

- 4 The Committee is requested to note the contents of the external auditor's report.

Contact name: Craig Oakes Ext - 3711

Audit Progress Report

Gateshead Council



January 2018



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of the Council and we take no responsibility to any Member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit progress

Purpose of this report

The purpose of this paper is to provide the Audit and Standards Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Audit and Standards Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address www.mazars.co.uk which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

2016/17 audit

In our September 2017 Audit Progress Report we confirmed that the main audit had been completed, however, we were unable to issue our certificate concluding the audit as we had received an objection, made by a member of the public, in relation to the Lender Option Borrower Option (LOBO) loans held by the Council.

As a result of our work we concluded that the objection did not provide us with sufficient reason to consider that the LOBO loans shown in the Council's 2016/17 financial statements could be considered to be unlawful.

We were able to issue of certificate to close the 2016/17 audit on 11 December 2017.

Certification of claims and returns

Work on the 2016/17 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2017.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission. As the Council's appointed auditor, we acted as an agent of PSAA. Each year auditors must report the results of our certification work to those charged with governance. For 2016/17 the only claim or return within this regime was the Housing benefit subsidy return.

Housing benefits subsidy return 2016/17

In 2016/17 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either:

- without qualification;
- without qualification following amendment by the Council; or
- with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

The audited 2016/17 Housing benefit subsidy return was amended but not qualified before being submitted on 28 November 2017 as set out in the following table.

Claim or return	Value of claim	Amended	Qualified
Housing benefit subsidy return 2016/17	£83.613m	<p>Yes.</p> <p>Two amendments were identified relating to minor errors arising from manual adjustments; officers intend to modify procedures to minimise the use of these in future.</p> <p>An additional error was caused by a minor software issue which will be raised with the software supplier at the next opportunity.</p> <p>The overall effect of these changes was to increase subsidy claimed by the Council by £38.</p>	No.

We welcome the assistance provided by officers with this work, which enables us to complete our certification work as efficiently and effectively as possible.

Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the following table below is in line with the indicative fee. The following fee was charged for the 2016/17 work.

Claim or return	2016/17 indicative fee	2016/17 final fee	2015/16 final fee
Housing benefit subsidy return 2016/17	£12,405	£12,405	£10,615

Clarification of certification fees for the 2017/18 Audit

In April 2017 we wrote to the Council setting out the proposed scale fees for 2017/18 as published by PSAA. At that date, PSAA had not yet published indicative fees for the housing benefit certification work for 2017/18. PSAA have subsequently clarified the scale fee for 2017/18 as £10,615 + VAT, a return to the fee level set for 2015/16.

Non-code work

With regard to other non-Code work, we were commissioned by the Council to carry out work in relation to the following:

- Skills Funding Agency grant claim which was audited in May 2017 (fee of £3,550 + VAT);
- Pooling of Housing Capital Receipts return which was audited in November 2017 (fee of £1,800 + VAT); and
- Teachers' Pensions Return - The fee for this was £3,750 + VAT, an increase on the previous year as additional testing is now required by the Teachers Pensions Agency. This work was completed in November 2017.

Again, we appreciate the assistance provided by officers in enabling us to carry out our work efficiently and effectively.

2017/18 Audit

Our planning work in relation to the 2017/18 audit is now underway and includes the areas outlined below

- **Audit Strategy Memorandum:** we will meet with officers ahead of drafting our 2017/18 Audit Strategy Memorandum for inclusion on the agenda of the Audit and Standards Committee to be held on 5 March 2018, in order to agree the scope and timing of work as well as any significant risks relevant to both the opinion and VFM conclusion work.
- **Review of previous year:** we will discuss the previous year's audit and consider any areas for improvement. We will in particular consider how best to carry out early testing to mitigate the impact on the year-end.
- **Walkthroughs and interim visits:** we are in the process of carrying out walkthroughs of the key financial systems as well as early interim testing (to reduce the impact on the year-end); as in previous years we aim to do this in one mutually agreed visit to minimise the impact on officers.
- **Run our annual accounts workshops:** Officers will attend our annual accounts workshop which will be held on 5 February 2017.
- **Internal training:** as part of our commitment to quality, team members have already attended our annual audit training conference which includes feedback from quality reviews to take into account in the coming year.
- **Client satisfaction surveys:** we are also in the process of sending out the client satisfaction surveys (annual requirement by our Regulator); we would be grateful for feedback to enable us to continue to develop our approach and how best we can work with you to achieve mutual aims

North East Governance Workshops

We have decided to restructure our North East Governance Forum which has run successfully for the last couple of years. Rather than have two events a year and consider agenda items at the time of each meeting, we are going to run events when there are important topics to discuss.

Our first event under these new arrangements will be in early 2018 and will be on the new General Data Protection Regulations (GDPR). We will be sending out invitations for this event in due course.

National publications and other updates

National publications and other updates	
1.	A short guide to Local Authorities, National Audit Office, October 2017
2.	Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017
3.	Care Quality Commission regulating health and social care, National Audit Office, October 2017
4.	PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

1. A short guide to Local Authorities, National Audit Office, October 2017

The NAO is publishing a suite of short guides for the new Parliament, one for each government department and a selection of cross-government issues. The guide gives an overview of how local government is funded, the pressures local authorities face, staffing, major recent developments and what to look out for in the main local authority services.

For example, the guide highlights 39% of the 2015/16 local authorities budgeted non-schools expenditure (£16.8 billion) was allocated to adult social care. The guide also highlights key challenges to accountability in local government.

<https://www.nao.org.uk/report/short-guide-to-local-authorities/>

2. Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017

The consultation on the proposed auditor appointments from 2018/19 closed on 22 September. PSAA received 442 responses from opted-in bodies confirming acceptance of the proposed appointment. A response was not received from 34 bodies and PSAA has written to those bodies to say that they have assumed they accept the firm proposed. PSAA received 7 representations to proposed appointments for reasons of joint working relevant to the auditor's responsibilities, independence issues with the proposed auditor, or concerns about service from the proposed firm. In these cases, PSAA are now consulting on alternative proposed appointments where appropriate.

<https://www.psaa.co.uk/2017/10/news-release-update-on-auditor-appointments-from-201819/>

PSAA Ltd have now confirmed that Mazars have been appointed as the Council's external auditor from 2018/19.

3. Care Quality Commission regulating health and social care, National Audit Office, October 2017

The Care Quality Commission has improved as an organisation, but now needs to overcome some persistent issues with the timeliness of some of its regulation activities if it is to sustain further improvement, the National Audit Office (NAO) has found.

The report found that the Commission has completed its inspection and rating programme comprising more than 28,000 provider locations, which provides a benchmark of the quality of health and social care services. It has significantly reduced staff vacancies and is increasing its focus on cost savings. In addition, the Commission has improved how it measures its performance, and takes action to correct poor performance.

Inspection staff, however, highlighted concerns to the NAO about how well the broader information systems currently supported them. The NAO also found that Commission does not meet its timeliness targets for some of its regulation activities, such as registration and publication of inspection reports.

According to the NAO, although most providers and inspectors think that the Commission's judgements are fair, stakeholders have concerns about consistency. The Commission is seeking to address consistency issues through its quality assurance processes and training.

The Commission is taking more enforcement action when care falls below fundamental standards, and there is evidence that it influences providers to improve quality, with most of the providers rated either inadequate or requires improvement having improved their rating on re-inspection. The number of completed enforcement actions increased over 2015/16 and 2016/17, while the number of providers entering special measures remained steady. The Commission links the increase with a focus on improving its inspectors' skills and knowledge about enforcement. Poor recording, however, means the Commission cannot be assured that enforcement action is always completed.

The Commission made progress in implementing its new strategy during 2016/17 although it missed early milestones on rolling out use of resources assessments and designing its approach to the next phase of inspection.

<https://www.nao.org.uk/report/care-quality-commission-regulating-health-and-social-care/>

4. PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

PSAA propose that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

The proposed audit fee for Gateshead Council for the 2018/19 audit is £100,329 (compared to £130,298 for the 2017/18 audit).

<https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

Contact details

Please let us know if you would like further information on any items in this report.

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Title of Report: Corporate Risk Management 2017/18
Quarterly Report to 31 December 2017

Report of: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1. This report updates the Committee of developments in Corporate Risk Management during the period 1 October to 31 December 2017 in compliance with the requirements of good corporate governance.

Background

2. Quarterly reporting to those with the responsibility for the oversight of risk management issues complies with the principles of good corporate governance. It is also embodied in the Corporate Risk Management Policy approved by Council on 6 June 2013.
3. The report covers progress against the Corporate Risk Management Developmental Objectives for 2017/18 as cited in the Corporate Risk Management Annual Report 2016/17 and any other risk management issues emerging within the quarter under consideration.

Development Objectives

4. The Action Plan for the delivery of the Developmental Objectives for 2017/18 incorporating progress to date is shown at Appendix 1, work is progressing as per the plan and further details about the specific areas are covered below.

Strategic Risk Register

5. The draft Strategic Risk Register was presented to Strategy Group to ensure all risks and controls have been included and are accurate and up to date. It was agreed that all risks had been identified and included within the draft register, however a review of some of the controls was requested to ensure it focused on the control not the output.
6. The draft Council pledges are currently subject to public consultation. It was agreed that, where appropriate, these should be referenced within the Strategic Risk Register.
7. The amendments have subsequently been made to the Strategic Risk Register and the revised register will be presented to Strategy Group for comment once the outcome of the public consultation on the Council's pledges has been received to ensure any changes to the pledges, resulting from the consultation have been included.
8. Once the outcome of the public consultation is known the revised draft will be taken to Strategy Group for comment and then will be brought to Audit and Standards Committee for comment and recommendation to Cabinet.

Criminal Finance Act 2017

9. A new crime has been introduced in the Criminal Finance Act 2017, the failure to prevent the criminal facilitation of tax evasion, which took effect from 30 September 2017.
10. An example of the type of transaction which could be deemed a criminal offence under this act is shown below:
“Employee agrees to ‘mis-describe’ the nature of goods/services on an invoice (or invoice requisition) for more favourable tax treatment.”
11. The Act is likely to impact primarily on higher risk organisations such as those in the finance industry but the Corporate Risk Management team are co-ordinating a risk assessment of all Council services to ensure procedures are in place and have been affectively communicated for any areas where this type of crime could be attempted.
12. A standard risk assessment template has been developed by the Corporate Risk Management Team for completion by Services. The templates gather information on the potential risk and the mitigating controls currently in place.
13. Once completed the templates will be collated and reviewed by the Corporate Risk Management Team to ensure the controls in place are satisfactory. Where additional controls are required, the implementation process will be monitored and progress reported to the Risk and Resilience Group.

Risk and Resilience Group

14. The Risk and Resilience Group met 24 January and the following items were discussed:
 - Risk Management and Business Continuity Plans:
 - Update on the changes to the draft Strategic Risk Register
 - Annual review of operational risk registers
 - Annual review of business continuity plans
 - Update on changes to the draft Strategic Risk Register
 - Completion of templates relating to the Criminal Finance Act 2017
 - Resilience and Emergency Planning:
 - Gateshead modern slavery, trafficking and exploitation – concept of operations
 - Local Resilience Forum – training and exercise programme review of the previous 12 months
 - Exercise Border Reivers
 - Refresh of the Strategic Resilience and Emergency Planning Framework

Recommendation

15. It is recommended that the Committee note the report.

Corporate Risk Management: Developmental Objectives 2017/18

Ref:	Objective	Target Implementation Date	Progress to date
1	Business Continuity Plans principles and guidance will be reviewed and applied.	April 2018	The annual review of Business Continuity Plans has commenced.
2	The Strategic Risk Register will be comprehensively reviewed and refreshed and a corporate working group has been established to facilitate this work.	September 2017 Revised date March 2018	The draft register has been circulated to Senior Managers for comment and will be progressed for approval through Autumn. Additional updates requested at Strategy Group and the inclusion of the draft Council pledges have delayed the approval process until after the consultation on the Council pledges has finished
3	The Operational Risk Register will be refreshed to ensure consistency with the Strategic Risk Register. This will include a review of the template and supporting documentation.	April 2018	The annual review of operational risk registers has commenced.
4	The Council's Risk Management and Business Continuity Policies will be reviewed to ensure they comply with best practice and are responsive to the challenges facing the Council.	December 2017	The review of the policy is complete and the guidance is being updated to reflect organisational changes.
5	The provision of further Risk Management training to Councillors and officers appropriate to their responsibilities.	As required	As requested

Appendix 1

Ref:	Objective	Target Implementation Date	Progress to date
6	Assess the risk management performance indicators obtained through the participation in the ALARM/CIPFA benchmarking club to identify any areas of best practice that can be incorporated into the Council's Risk Management arrangements.	July 2017	Review complete no specific areas identified for improvement.



TITLE OF REPORT: Counter Fraud and Corruption Arrangements

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

- 1 The purpose of this report is to provide the Committee with details of the outcome the recent review of the Council's overall Counter Fraud and Corruption Arrangements, including the revised Counter Fraud and Corruption Policy and Fraud Response Plan, and the proposed Counter Fraud and Corruption Strategy.

Background

- 2 To support the work of local authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Code of Practice on Managing the Risk of Fraud and Corruption. Although the Code is not currently mandatory, it represents best practice and compliance with the Principles set out in the Code helps the Council secure good governance and demonstrate effective use of public funds.
- 3 The five key principles of managing the risks of fraud and corruption are to:
 - Acknowledge the responsibility for countering fraud and corruption;
 - Identify the fraud and corruption risks;
 - Develop an appropriate counter fraud and corruption strategy;
 - Provide resources to implement the Strategy; and
 - Take action in response to fraud and corruption.

Counter Fraud and Corruption Strategy

- 4 CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption states that an organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.
- 5 It is recognised that to minimise losses to fraud and corruption, a strategic approach with a clear remit covering all areas of fraud and corruption that may affect the Council is required. There needs to be a clear understanding of the importance of the links between policy work (to develop a counter fraud and corruption culture, create a strong deterrent effect and prevent fraud and corruption by designing robust policies and

systems) and operational work (to detect and investigate fraud and corruption and seek to apply sanctions and recover losses where they are found).

- 6 Since 2011 the Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan, but had not documented the overarching strategy. The Council's draft Counter Fraud and Corruption Strategy clearly identifies the Council's commitment to an effective Counter Fraud and Corruption approach, as part of its overall Corporate Governance arrangements. The draft strategy outlines the principles the Council is committed to in preventing and reporting fraud and corruption.
- 7 The draft Counter Fraud and Corruption Strategy is attached as Appendix A.
- 8 Regular reports on any activity relating to this Strategy, and progress against the fraud plan, will be provided to the Committee.
- 9 An annual report will be provided to the Committee on performance against the Strategy and the effectiveness of the Strategy. Conclusions will also form part of the Annual Governance Statement.

Counter Fraud and Corruption Policy and Fraud Response Plan

- 10 A Counter Fraud and Corruption Policy and Fraud Response Plan forms an important part of the Counter Fraud and Corruption Strategy by setting the tone, culture and expectations of the Council, as part of the corporate framework.
- 11 The Council has had a Counter Fraud and Corruption Policy and Fraud Response Plan since 2011. A part of this review both documents have been updated to take account of current best practice and guidance.
- 12 The Counter Fraud and Corruption Policy outlines the Council's attitude to and position on, fraud and corruption and sets out responsibilities for its prevention and detection. It also communicates important deterrence messages to employees, Members, and third parties that fraudulent conduct will not be tolerated by the Council and that the stance against fraud is endorsed and supported at the most senior level.
- 13 The Fraud response Plan details the Council's procedures for responding to any incidents of suspected fraud or corruption. The Plan sets out how suspicions should be raised and how investigations will be conducted and concluded.
- 14 The draft revised Counter Fraud and Corruption Policy and Fraud Response Plan are attached as Appendix B and C to this report.

Recommendation

15 The Committee is asked to review and comment on the following strategy and policy documents:

- (i) Counter Fraud and Corruption Strategy (Appendix A)
- (ii) Counter Fraud and Corruption Policy (Appendix B)
- (iii) Fraud Response Plan (Appendix C)

Contact name: Craig Oakes Ext - 3711



COUNTER FRAUD AND CORRUPTION STRATEGY

Gateshead Council
Counter Fraud and Corruption Strategy

Contents

1. Foreword
2. Introduction
3. Legal Definition
4. Corporate Framework and Culture
5. Prevention and Deterrence
6. Detection and Investigation
7. Training and Awareness
8. Summary
9. Review

1. Foreword

This document sets out Gateshead Council's Counter Fraud and Corruption Strategy which outlines the principles that Gateshead Council is committed to in preventing and reporting fraud and corruption. It has the full support of Members and Strategic Directors.

The size and nature of Gateshead Council's services mean that there is an ever present risk of loss due to fraud and corruption, from both internal and external sources. By putting in place effective measures to counter the risk of fraud and corruption Gateshead Council can minimize losses which undermine standards of service and reduce the resources available for the good of the whole community.

Members and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud, corruption and by promptly identifying and reporting potential instances for investigation.

Good corporate governance and stewardship of the public funds and assets which are administered by Gateshead Council are crucial to the successful delivery of the corporate strategic aims.

High ethical standards are an integral part of good governance and can lead to increased public confidence in local democracy. In promoting good governance standards Gateshead Council aims to create an anti-fraud culture and environment to deter those who may commit fraudulent and corrupt acts and encourage those who suspect such activity to report it promptly.

Gateshead Council therefore, expects the highest standard of probity, propriety and conduct from Members and employees. This includes the requirement of those concerned to act lawfully and to comply at all times with Gateshead Council's policies, regulations and procedures.

Gateshead Council also expects the same level of commitment from all outside individuals and organisations, including partners, contractors and customers, ensuring that they act towards Gateshead Council with honesty and integrity.

Gateshead Council is determined to protect itself from fraud and corruption and will seek to identify and prevent fraud and corruption in all areas of its activities. Where any instances are discovered, Gateshead Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

Signed:

Leader of the Council

Signed:

Chief Executive

2. Introduction

- 2.1 Gateshead Council (hereafter referred to as the Council) has the responsibility of protecting the public purse. In order to meet this responsibility the Council is committed to maintaining an effective Counter-Fraud and Corruption Strategy which follows the principles contained in the Code of Practice on Managing the Risk of Fraud and Corruption, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). With this in mind the Council aims to:
- Ensure all employees and Members are aware of their individual and collective responsibilities relating to the prevention and detection of fraud and corruption;
 - Continually review and assess its fraud and corruption risks and implement actions to minimise the likelihood of them materialising;
 - Discourage and prevent incidents of fraud and corruption from occurring, particularly in the areas of greatest risk;
 - Promote and enhance detection routines to identify any incidents that do occur;
 - Investigate and respond effectively to minimise the impact of any suspected or identified incidents of fraud or corruption affecting the Council;
 - Strengthen any weaknesses in control systems identified from the investigative process to prevent any recurrence of the situation;
 - Take the strongest possible action against proven perpetrators of fraud or corruption, including offences committed by employees, taking account of the circumstances of each case; and
 - Recover any identified losses stemming from confirmed cases of fraud or corruption in addition to any associated investigation costs.
- 2.2 It is the responsibility of Strategic Directors to communicate this Counter-Fraud and Corruption Strategy to all managers and employees and to promote greater awareness of the risk of fraud and corruption within their Directorates.

3. Legal Definition

- 3.1 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:
- **Fraud by false representation:**
A person is in breach of this section if this is done dishonestly and there is intent, by making the representation, to make a gain for himself or another; or to cause or expose the risk of loss to another.
 - **Fraud by failing to disclose information:**
A person is in breach of this section if he dishonestly fails to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, make a gain for himself or another; or to cause or expose the risk of loss to another.
 - **Fraud by abuse of position:**
A person is in breach of this section if he occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person; dishonestly abuses that position with the intention to make a gain for himself or another; or to cause or expose the risk of loss to another.

There are further subheadings of fraud described, including possession of articles for

use in fraud, making or supplying articles for use in frauds, participating in fraudulent business and or obtaining services dishonestly.

- 3.2 Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.

4. Corporate Framework and Culture

- 4.1 The Council has a range of interrelated policies and procedures that provide a corporate framework to help counter any fraudulent or corrupt activity. These have been formulated in line with the appropriate legislative requirements and professional best practice and include:

- Code of Conduct for Members and employees
- Managers' and Employee Handbooks
- Individual Job Profiles
- Code of Corporate Governance
- Council's Constitution – including Standing Orders, Contract Procedure Rules and Financial Regulations
- "Whistleblowing" Policy
- Fraud Awareness and Training
- Effective internal controls systems
- Internal Audit and Risk Service Fraud Response Plan
- Effective Recruitment and Selection procedures
- Anti- Money Laundering Policy
- Counter Fraud and Corruption Policy
- Statement on the Prevention of Bribery
- Information Security Policy

- 4.2 The Council also has an effective Internal Audit and Risk Service and Corporate Fraud Team that assists the corporate framework to help counter any fraudulent activity.

- 4.3 The Council believes the best defence against fraud and corruption is to create a strong anti-fraud culture within the organisation and that a culture of honest and openness is a key element in tackling fraud and corruption. The codes of conduct for Members and employees are based upon the Nolan principles of Standards in Public Life, namely:

- **Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- **Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- **Objectivity** –In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness** – Holders of public office should be as open as possible about all decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

- **Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest
- **Leadership** – Holders of public office should promote and support these principles by leadership and example.

4.4 The Council expects all of its employees and Members to comply with the seven principles of public life in all of its activities and to embrace these principles as the cornerstone of its Counter Fraud and Corruption Strategy.

5. Prevention and Deterrence

5.1 An effective internal control system is a vital factor in helping to prevent fraud and corruption. The internal control system comprises the whole range of financial, operational and managerial systems and procedures established within the Council to ensure its objectives are achieved in an effective and efficient manner.

5.2 It is management's responsibility to establish sound systems of internal control designed to reduce the risk posed by fraud and corruption within service areas. To this end, Internal Audit endeavours to provide appropriate advice to managers to ensure they are fully aware of the need to give sufficient emphasis to the preventative aspects of fraud and corruption work.

5.3 When delivering the Internal Audit Plan to the Council, Internal Audit has the key function of monitoring the effectiveness of internal controls in operation. The Internal Audit Plan includes a programme of work based on key risk areas as identified under the Council's risk management arrangements. This programme of work is not restricted solely to the investigation of detected fraud but also includes anti-fraud assurance work intended to deter and prevent fraud.

5.4 The Internal Audit Plan also includes fraud risk identification and assessment work which forms part of the Council's strategic risk management process.

5.5 The Council will continue to identify and assess fraud and corruption risks by:

- Increasing the understanding of potential for fraud and corruption in each Service.
- Undertaking detailed risk assessments of those specific areas potentially at risk of fraud and corruption.

5.6 The Council will seek to deter potential fraudsters from committing or attempting to commit fraudulent or corrupt acts by:

- Deploying robust systems of internal control, to mitigate the opportunity for fraud and corruption.
- Publicising the fact that the Council will not tolerate fraud and corruption, demonstrated by this Counter Fraud and Corruption Strategy and the Whistleblowing Policy.
- Acting robustly and decisively when fraud or corruption is suspected and proven.
- Taking action to effect the maximum recoveries for the Council, engaging with the Press and Public relations media, to optimise the publicity opportunities associated with anti-fraud and corruption activity within the Council. Where appropriate, the results of any action taken, including prosecutions, will be

reported in the media.

5.7 The Council does not act in isolation to counter fraud and corruption. Links have been established with a number of external agencies, including:

- National Anti-Fraud Network
- Northumbria Police
- CIPFA Better Governance Forum and Counter Fraud Centre
- Networks of Heads of Internal Audit
- External Audit
- Cabinet Office
- Department for Work and Pensions
- HM Revenues and Customs
- North East Fraud Forum
- North East Tenancy Fraud Forum
- North East Regional Investigation Officers Group

5.8 As technologies develop, there is an ever increasing need to take advantage of the processing and analysis of data stored throughout the Council and beyond. This enables the information and intelligence to be generated, which is a recognised means of detecting and preventing fraud and corruption.

5.9 The Council is committed to exchanging information with other local and national agencies; activities such as these are carried out in full compliance with the Data Protection Act 1998 and with the codes of practice for National Fraud Initiative data matching exercises and includes provision of information to other agencies for data matching purposes.

6. Detection and Investigation

6.1 The Council will continue to detect fraud and corruption by:

- Exchanging data with external parties such as other local authorities and other public bodies in line with the requirements of the Data Protection Act.
- Participating in the Cabinet Office biennial National Fraud Initiative data matching exercise.
- Undertaking proactive anti-fraud audits in areas of known fraud risk and having regard to the possibility of fraud and corruption in all relevant Internal Audit reviews.
- Encouraging Members, employees, members of the public and those we work in partnership with the Council to report allegations of fraud and corruption.

6.2 It is the responsibility of Strategic Directors and managers to maintain good control systems and procedures, and ensure that all employees comply with such instructions.

6.3 When information relating to alleged fraud or corruption is obtained it is reviewed and subject to a risk assessment. Some allegations are followed up with a full investigation; others are better dealt with as management issues. Where appropriate managers shall:

- Report allegations to Internal Audit.
- Report allegations promptly and follow any guidance given.
- Where appropriate, contact other agencies, e.g. the Police.

6.4 Depending on the nature and anticipated extent of the allegations, Internal Audit will

normally work closely with:

- Senior Managers
- Human Resources
- Corporate Services and Governance
- Other agencies, such as the Police and the Department for Work and Pensions

This is to ensure that all allegations and evidence are properly investigated and reported upon, and where appropriate, maximum recoveries are made for the Council.

- 6.5 The Council's External Auditor also has powers to independently investigate fraud and corruption.
- 6.6 The Council is committed to pursuing all possible sanctions for proven cases of fraud and corruption. The Council's Counter Fraud and Corruption Policy and Response Plan will be adhered to regarding the appropriate level of investigation of suspected cases. The Council is committed to pursuing disciplinary, criminal and civil sanctions where there is evidence to support the occurrence of fraud and corruption. These sanctions will be sought pursuant to the Council's Counter Fraud and Corruption Policy and Response Plan.
- 6.7 The Council is committed to seeking to minimise any potential loss due to fraud and corruption. In all cases of suspected fraud and corruption the Council will take action to minimise the risk of further loss. In all cases of proven fraud and corruption the Council will take action where it is available to seek to recover any funds lost due to fraud. The provisions of the Council's Counter Fraud and Corruption Policy and Fraud Response Plan will be adhered to in all instances.
- 6.8 Where fraud or corruption has occurred, management will need to take action to ensure that any control weaknesses which provided the opportunity for this are addressed. Any lessons learnt will be disseminated to relevant staff.

7. Training and Awareness

- 7.1 The Council recognises that the continuing success of its Counter Fraud and Corruption Strategy will depend largely on the effectiveness of training, communication and responsiveness of employees throughout the organisation.
- 7.2 To facilitate this, the Council is committed to ensuring employees and Members are aware of their responsibilities with regard to preventing fraud and corruption. To this end, the Council will ensure that there is an on-going training programme regarding measures to minimise the risk of fraud and corruption.
- 7.3 The Council also recognises that the organisation is exposed to risk from external partners and suppliers and that the reporting of malpractice can be in relation to third parties working for or on behalf of the Council. To this end, the Council will ensure there is an on-going programme of awareness to ensure external partners and suppliers are aware of the Council's commitment to protect its funds against fraud and corruption.
- 7.4 The review of the Council's internal control systems and the investigation of corporate fraud and corruption centres on Internal Audit. Officers working to counter fraud and corruption are professionally accredited and keep abreast of new developments and

legislation by regularly attending relevant training courses.

8. Summary

- 8.1 The Counter Fraud and Corruption Strategy provides a framework for preventing and tackling fraudulent and corrupt acts against the Council. The approval of the Strategy by the Audit and Standards Committee, on behalf of Gateshead Council, demonstrates the Council's commitment to the protection of public funds and the minimising of losses.
- 8.2 Having made this commitment it is imperative that arrangements for the circulation of this Strategy and promoting fraud awareness across the Council are maintained.
- 8.3 Gateshead Council is determined to keep pace with any future developments in preventative and detection techniques and to be able to respond and make changes to its Counter Fraud and Corruption Strategy.

9. Review

- 9.1 Regular reports on any activity relating to this Strategy, and progress against the fraud plan, will be provided to the Audit and Standards Committee.
- 9.2 Internal Audit and Risk will ensure that this Strategy is subject to regular review, to ensure its accuracy, and to ensure that the Strategy is being successfully delivered. The success of the Strategy will be measured by the extent to which:
 - Fraud is minimised, particularly within the areas that Councils are deemed most at risk from fraud and corruption.
 - Proven cases of fraud, corruption or other irregularity are subject to the severest sanctions being imposed, depending on the circumstances of each case.
 - Proven cases involving employees are dealt with through the Council's disciplinary process.
 - Any identified losses are recovered and where appropriate a financial investigation will be conducted in line with the Proceeds of Crime Act 2002.
 - Successful prosecutions and disciplinary hearings are publicised, taking account of any restrictions on reporting.
 - Employees and Members are provided with training and are aware of their anti-fraud and corruption responsibilities.
- 9.3 An annual report will be provided to the Audit and Standards Committee on performance against the Strategy and the effectiveness of the Strategy. Conclusions will also form part of the Annual Governance Statement.

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COUNTER FRAUD AND CORRUPTION POLICY

Reviewed December 2017

Gateshead Council
Counter Fraud and Corruption Policy

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1. **Foreword by the Chief Executive**

- 1.1 “Gateshead Council is opposed to fraud and corruption in all forms, whether perpetrated from within or outside of the organisation. We advocate a zero tolerance approach and will seek to prevent fraud and corruption, including bribery, in all areas of our activities. Where any instances are discovered the Council will take all action as is necessary to hold perpetrators to account and reduce losses to an absolute minimum.

Fraud and corruption cheats the local tax payer and undermines the aims of our Council to achieve our vision of ‘Making Gateshead a place where everyone thrives’, by providing value for money services in an open, honest and accountable way.

As the Council considers how to maintain core services against the background of public sector funding cuts it is essential that we continue to maintain strong defences against fraud and corruption by directing resources most effectively to mitigate the risks we face. This will involve working closely with partners, contractors and other stakeholders to overcome any barriers to effective fraud fighting and making the best use of available information and intelligence.

All councillors and employees have a responsibility for promoting a culture of good governance by ensuring that effective measures are in place to prevent fraud, corruption and other irregularities and by promptly identifying and reporting potential instances for investigation.”

Sheena Ramsey
January 2018

2. Introduction

- 2.1 The Policy is based on a series of comprehensive and inter-related procedures, designed to prevent, detect and deter fraud and corruption and to take effective action against any attempted or actual fraudulent or corrupt act affecting the Council.
- 2.2 Gateshead Council's Internal Audit and Risk Service has the key function of monitoring the effectiveness of internal controls in operation. This also includes carrying out investigations into suspected cases of fraud and corruption.
- 2.3 The purpose of this policy is to outline Gateshead Council's approach, as well as defining roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally. It applies to:
- Councillors
 - Employees
 - Agency Staff
 - Contractors
 - Consultants
 - Suppliers
 - Service users
 - Employees and Committee Members of organisations funded by Gateshead Council
 - Employees and Principals of Partner Organisations

In addition to the above, the Council also expects the residents of Gateshead to adhere to the principles set out in this policy and be honest in their dealings with the Council.

- 2.4 This policy sets out Gateshead Council's commitment to tackling fraud and corruption. This makes it clear to all concerned that appropriate and decisive action will be taken against those committing or attempting to commit, fraudulent or corrupt acts against the Authority.

3. Corporate Framework

- 3.1 Gateshead Council has a range of interrelated policies and procedures that provide a corporate framework to counter fraudulent activity. These have been formulated in line with appropriate legislative requirements, and include:
- Codes of Conduct for Councillors and Officers
 - Managers' and Employee Handbooks
 - Individual Job Profiles
 - Code of Corporate Governance

- Council's Constitution – including Standing Orders, Contract Procedure Rules and Financial Regulations
 - "Whistle Blowing" Policy
 - Fraud Awareness and Training
 - Effective Internal Control Systems
 - Internal Audit and Risk Service Fraud Response Plan
 - Effective Recruitment and Selection Procedures
 - Anti-Money Laundering Policy
 - Counter Fraud and Corruption Strategy
 - Statement on the Prevention of Bribery
 - Information Security Policy
- 3.2 Gateshead Council believes that a culture of honesty and openness is a key element in tackling fraud. The Codes of Conduct for Councillors and Staff are based on the Nolan Principles of Standards in Public Life. Where councillors or employees fail to adhere to these codes appropriate action will be taken against them.

4. Legal Definitions

- 4.1 The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:
- Fraud by false representation
 - Fraud by failing to disclose information
 - Fraud by abuse of position
- 4.2 Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing favour or disfavour which may influence any person to act improperly.

5. Prevention

Employees

- 5.1 Gateshead Council recognises that employees are often the first line of defence in preventing fraud. A key preventative measure in that fight is the effective recruitment of employees.
- 5.2 Employee recruitment will be undertaken in accordance with Council's policies for Recruitment and Selection. Group and Strategic Directors should ensure that procedures laid down in the Managers' Handbook in respect of recruitment are followed and that, in particular, references are obtained before employment offers are confirmed.
- 5.3 For certain posts, Gateshead Council will undertake checks on potential new employees, to ascertain whether they are or have been falsely claiming Housing and/or Council Tax Benefit. These posts are

based in the Benefits, Housing and Council Tax areas plus any additional posts the relevant Group/Strategic Director considers appropriate.

- 5.4 Employees of the Council are expected to follow any Code of Conduct related to their Professional Institute and are also required to abide by the Code of Conduct for Local Government Employees adopted by the Council in April 1998. This includes provisions in respect of the declaration or registration of interests, gifts and hospitality.
- 5.5 Employees must operate under Section 117 of the Local Government Act 1972 regarding the disclosure of pecuniary interests in contracts relating to the Council, or the non-acceptance of any fees or rewards whatsoever, other than their proper remuneration, subject to the provisions of the Council's Code of Conduct for Employees.
- 5.6 The Council recognises that training and the responsiveness of employees is important to the continuing success of its counter fraud and corruption strategy. Employees should therefore be alert to the possibility of fraud and corruption and report any concerns. Gateshead Council has a "Whistle Blowing" Policy in place to assist employees and other stakeholders in reporting concerns about fraud and other issues without fear of reprisal.
- 5.7 The Council has in place disciplinary procedures for all employees. Those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. Where criminal activity is suspected or found, the matter will be referred to the Police for investigation and possible prosecution, in accordance with the Fraud Response Plan. In addition, restitution will be sought from those who are found to have perpetrated fraudulent acts.

Councillors

- 5.8 Councillors are expected to operate honestly and without bias. Their conduct is governed by:
 - The Code of Conduct for Councillors of Gateshead Council
 - The Council's Constitution
 - Council Protocols
- 5.9 These matters are specifically brought to the attention of councillors at their induction course and are in the Councillors' Handbook. They include rules on the declaration and registration of potential areas of conflict between council duties and responsibilities and any other areas of their personal or professional lives.
- 5.10 Gateshead Council has in place an Overview and Scrutiny process. Its remit includes the decisions and actions undertaken by the Council.

Any matter arising from this process, in which fraud is suspected, can be referred to Internal Audit for independent investigation.

- 5.11 Gateshead Council's Audit and Standards Committee has included within its terms of reference a responsibility to consider the effectiveness of the Council's internal control environment and its associated counter fraud and corruption arrangements.
- 5.12 The Local Government Act 2000 requires all councillors to give a written undertaking to comply with the Code of Conduct, if they are to remain on the Council.

Internal Control Systems

- 5.13 Financial Regulations of the Council provide the framework for financial control. The Council's Financial Regulations require all Group and Strategic Directors to establish effective internal controls so that the activities under their responsibility are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of control and methods, both financial and otherwise, which are established to: -
- Safeguard the Council's assets;
 - Ensure the reliability of records; and
 - Monitor adherence to policies and procedures.
- 5.14 The Council's Internal Audit and Risk Service independently review, appraise and report on the soundness, adequacy and application of internal controls. Strategic and Service Directors are required to notify at once, and before proceeding with any further investigation, the Strategic Director, Corporate Resources of any matters involving, or thought to involve theft, fraud, corruption or financial irregularity which involves the Council's interests.
- 5.15 The Council's external auditors also provide safeguards for the stewardship of public monies. The external auditor has a specific responsibility to review the adequacy of the Council's financial systems and its arrangements for the prevention and detection of fraud and corruption.

Working / Liaison with Others

- 5.16 There are a variety of arrangements in place, which facilitate the regular exchange of information between Gateshead Council and other local authorities and agencies, for the purpose of preventing and detecting fraud. These involve national, regional and local networks of investigators / inspectorates and include Internal Auditors, Trading Standards Officers and the Department for Work and Pensions.

5.17 With the increase in recent years of frauds perpetrated against a variety of public bodies, the necessity for liaison with other organisations has become paramount. The Council recognises that to prevent fraudsters using multiple identities and addresses, it cannot work in isolation and must liaise with other organisations. It has therefore developed a number of external contacts which include:-

- National Anti-Fraud Network
- Northumbria Police
- CIPFA Better Governance Forum and Counter Fraud Centre
- Networks of Heads of Internal Audit Group
- External Audit
- Cabinet Office
- North East Fraud Forum
- North East Tenancy Fraud Forum
- North East Regional Investigation Officers Group
- Department for Work and Pensions
- HM Revenue and Customs

5.18 The Council is committed to exchanging information with other local and national agencies; such activity is carried out in full compliance with the Data Protection Act 1998 and with the Code of Practice for National Fraud Initiative data matching exercises and includes providing information to other agencies for data matching purposes.

6. Deterrence

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, from both inside and outside of the Council, and these include: -

- Publicising the Council's stance against fraud and corruption and stating this at every appropriate opportunity.
- Acting robustly and decisively when fraud and corruption are suspected and proven.
- Taking action to effect the maximum recoveries for the Council.
- The Service Director, Policy, Performance and Communications optimising the publicity opportunities associated with counter fraud and corruption activity within the Authority.
- Having sound internal control systems, that still allow for innovation, but at the same time do not provide opportunity for fraud and corruption.
- The Council's "Whistle Blowing" Policy
- The operation and advertising of a fraud hotline and online fraud reporting form.

- 6.2 It is the responsibility of Strategic and Service Directors to communicate the Counter Fraud and Corruption Policy to their staff and to promote a greater awareness of fraud within their Services.

7. Detection and Investigation

Detection

- 7.1 The preventative systems within the Council, particularly internal control systems and audit, generally should be sufficient in themselves to deter fraud but they have also been designed to provide indications of any fraudulent activity. In performing their duties, internal auditors will:

- Endeavour to reveal any serious defects in systems of internal control which might lead to the perpetration of fraud;
- Be alert to the possibility of malpractice or corruption;
- Take nothing for granted; and
- Be aware of the possibility of collusion.

- 7.2 It is often the alertness of councillors, employees and the public that enables detection to take place and they are positively encouraged to raise any concerns that they have in connection with the Council's activities. Such concerns will be treated in confidence and properly investigated. These concerns can be raised through any of the following routes:

- Line Managers
- Internal Audit and Risk Service
- Strategic Director, Corporate Resources
- Chief Executive, Strategic Director or Service Director
- Council's Complaints Procedure
- Council's "Whistle Blowing" Policy
- Corporate Fraud Hotline or online fraud reporting form

Investigation

- 7.3 The Strategic Director, Corporate Resources is responsible for following up all allegations of fraud and corruption received and will do so by arranging for the Internal Audit and Risk Service to carry out an investigation. The Internal Audit and Risk Service will ensure that:

- Investigations are both independent and objective;
- Matters are dealt with promptly;
- All evidence is recorded;
- Evidence is sound and adequately supported;
- All evidence is held securely;
- Liaison with the Police is undertaken if appropriate;

- In consultation with Human Resources and the Strategic Director, Corporate Services and Governance and the relevant Strategic Director, the Council's disciplinary procedures are implemented;
 - The Council's insurers are informed if appropriate;
 - Rules of natural justice are applied; and
 - The Council's "Whistle Blowing" Policy is adhered to.
- 7.4 Where financial impropriety is discovered, either from employees defrauding the Council or from persons committing criminal offences against it (such as members of the public who have dishonestly obtained benefits to which they are not entitled), then the general rule is that the matter will be referred to the Police. The final decision on referral will lie with the Strategic Director, Corporate Resources and, where appropriate, in consultation with the Strategic Director concerned. The following factors will be taken into account:
- The amount of the loss and the duration of the offence;
 - The person's physical and mental condition;
 - Voluntary disclosure and arrangements for restitution;
 - How strong the evidence is;
 - Whether the prosecution is in the public interest; and
 - The deterrent effect of any publicity associated with the case.
- 7.5 In the case of 'internal' fraud, disciplinary action does not depend upon the instigation or success of a prosecution; there are different standards of evidence and materiality required.
- 7.6 There is a need to ensure that any investigation process is not misused. Any abuse therefore such as raising unfounded malicious allegations may be dealt with as a disciplinary matter in accordance with the Council's "Whistle Blowing" Policy and may leave the complainant open to an action for defamation.
- 7.7 Gateshead Council will seek to utilise all measures to recover any losses arising from fraud or corruption. This will include the raising of debtor invoices, insurance cover, pension seizure and civil action under the Proceeds of Crime Act 2002.

8. Raising Fraud Awareness

- 8.1 Gateshead Council recognises that the success and credibility of its Counter Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and externally. Every opportunity will be taken to bring it to the attention of employees, members and other stakeholders. This policy will also be published on the Council's website and Intranet.

- 8.2 The Council recognises that the continuing success of its Counter Fraud and Corruption strategy and its general credibility will depend largely on the effectiveness of programmed training and the responsiveness of employees throughout the organisation.
- 8.3 Gateshead Council supports the concept of induction training, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The possibility of disciplinary action against officers who ignore such training and guidance is clear.
- 8.4 The officers involved in the review of internal control systems and investigative work will be properly and regularly trained. The Chief Internal Auditor maintains a Training and Development Plan for Internal Audit and Risk staff to satisfy this requirement and this is subject to regular review.
- 8.5 The Internal Audit and Risk Service offers tailored programmes in Internal Audit and Fraud. In the regular Council News bulletins the Internal Audit and Risk Service will publicise fraud related issues as well as giving details of the outcomes of some of its investigations where necessary. These newsletters are distributed to all employees and are displayed on the Council's Intranet.
- 8.6 Any relevant highlights on current issues and practices will also be communicated via the monthly employee team brief, for inclusion in staff briefings.

9. Notifying Actual or Suspected Fraud or Corruption

- 9.1 Suspected fraud or corruption can be discovered in a number of ways but in all cases it is important that individuals feel able to report their concerns and are also aware of the means by which they are able to do so. Matters of concern regarding suspected fraud or corruption should be reported, no matter how minor they appear.

The routes to report concerns are:

- **Strategic Director, Corporate Resources**

The Council's Strategic Director, Corporate Resources can be contacted on 0191 433 3582

- **Monitoring Officer**

The Council's Monitoring Officer, Strategic Director, Corporate Services and Governance can be contacted on 0191 433 2102

- **Internal Audit**

Any cause for concern can be reported to the Internal Audit and Risk Service:

- Chief Internal Auditor, 0191 433 3711
- Audit and Risk Manager, 0191 433 3476

- **Corporate Fraud Team**

Internal Audit and Risk, Gateshead Council, Civic Centre, Gateshead, NE8 1HH

- Telephone number 0191 433 2805
- Email: fraudreporting@gateshead.gov.uk
- [Online Fraud Reporting Form](#)

- **Line Managers**

Officers should normally raise concerns through their immediate line manager. They should then report this to the officers mentioned above. For more information refer to the Council's "Whistle Blowing" Policy.

- **Chair, Audit and Standards Committee**

Cause for concern can also be reported to the Chair of the Council's Audit and Standards Committee who can be reached through the councillors' secretariat on 0191 433 2074

- **External Auditor (Mazars)**

The Council's External Auditor is Mazars and they too can be contacted to report areas of concern. They can be contacted on 0191 433 3662



FRAUD RESPONSE PLAN

1. Introduction

- 1.1 The purpose of a Fraud Response Plan is to define responsibilities for action and reporting lines in the event of suspected fraud or corrupt activity. The use of the Plan should enable the Council to prevent loss of public money, recover losses and establish and secure the evidence necessary for any civil, criminal or disciplinary action.
- 1.2 The Response Plan should also provide direction to take appropriate action against those responsible for any fraud or corrupt act.
- 1.3 The Response Plan complements the Counter Fraud and Corruption Policy and forms part of the overall Counter Fraud and Corruption Strategy of the Council.

2. Prevention

- 2.1 In some circumstances it is not possible to deter fraudsters, so the next most preferable course of action is to prevent fraud from succeeding before there is any loss to Council funds. This can be achieved by developing systems with administrative or technical features, which make them less vulnerable to fraud, referred to as Internal Controls.
- 2.2 It is management's responsibility to establish and maintain systems of internal control and to ensure that the Council's resources are applied appropriately. The Internal Audit and Risk Service operates as an aid to management to give assurance as to the effectiveness of internal control and to make recommendations for improvement. Management should strive to design the potential for fraud out of all new policies and procedures.
- 2.3 It is recognised that in organisations in which fraud occurs, frauds are often perpetrated by employees who familiarise themselves with controls in order that they can circumvent these controls for personal gain. The honesty and integrity of employees is therefore paramount. It is management's responsibility to ensure that in line with the Council's recruitment and selection process appropriate pre-employment screening is operated diligently to prevent unsuitable candidates from securing positions within the Council. This includes agency staff.

3. Detection and reporting suspected fraud

- 3.1 All employees and Members should be aware of the possibility of fraud and corruption and should report any concerns they have without fear of recrimination. There are a variety of ways of making reports, both personally and anonymously, by using the Council's Whistleblowing Policy, reporting to management or to the Internal Audit and Risk Service Corporate Fraud team - using either the online Fraud Reporting Form or by contacting the fraud reporting hotline 0191 433 2805.

- 3.2 All concerns will be treated in confidence and will be investigated promptly and fully in a professional manner, in line with this Fraud Response Plan. It should be noted that an allegation does not mean the individual person or organisation is guilty of any wrong-doing, and so they will not be treated as such until the case is proven.
- 3.3 There is a need to ensure that the investigation process is not misused, therefore, if it is found that an allegation has been made in bad faith, maliciously, or for personal gain, then disciplinary action may be taken against that employee.
- 3.4 The Council is committed to the exchange of data with external parties such as other local authorities and other public bodies which are aimed at detecting fraud. In line with the requirements of the Data Protection Act, the Council has in place fair processing notices to facilitate this data exchange. Gateshead Council fully participates in the Cabinet Office's National Fraud Initiative (NFI); a biennial data matching exercise aimed at detecting fraud.
- 3.5 All Internal Audit reviews will have regard to the possibility of fraud. In addition, a series of pro-active counter fraud reviews are undertaken annually in areas of known fraud risk.

4. Investigation

- 4.1 Where it is appropriate to do so (i.e. without alerting the alleged fraudster), initial enquiries may be made by the manager or the Corporate Fraud team, as agreed with the Chief Internal Auditor, to determine if there actually does appear to be an issue of fraud or other irregularity.
- 4.2 During the initial enquiries, managers should:
- Determine the factors that gave rise to the suspicion;
 - Examine the factors to determine whether a genuine mistake had been made or whether a fraud or irregularity has occurred;
 - Where necessary, carry out discreet enquiries with staff and / or review documents; and
 - Contact the Chief Internal Auditor to discuss the allegation and agree any proposed action.
- 4.3 An evaluation of the case should include the following details:
- Outline of allegations;
 - Officers involved, including job role and line manager;
 - Amount involved / materiality / impact;
 - Involvement of any other parties;
 - Timescales – one off or ongoing; and
 - Evidence – where held and access.

- 4.4 In accordance with the Counter Fraud and Corruption Strategy, without prejudice to any action required of Chief Officers under any disciplinary codes, procedures or regulations, the Chief Internal Auditor will, in consultation with the Strategic Director, Corporate Resources, and the Monitoring Officer, make a decision on the action to take, including any preliminary audit investigation or referral to the Police.
- 4.5 The Chief Internal Auditor should be informed of the results of the initial enquiry so that the case can be closed or a more detailed investigation organised. Internal Audit and Risk staff have the power to access documents, and obtain information and explanations from any officer for the purpose of audit.
- 4.6 Where the initial enquiry appears to indicate misconduct by a Council employee the manager should inform Internal Audit and Risk of:
- All the evidence gathered; and
 - The actions taken with regard to the employee (e.g. suspension or redeployment) or any other action taken to prevent further loss.
- 4.7 The manager should liaise with Human Resources and be aware of the Council's requirements regarding the disciplinary process. If suspension is necessary, this requires the prior approval from the Service Director.
- 4.8 Depending on the size of the fraud or the circumstances of its perpetration, the Chief Internal Auditor will consider whether the Corporate Fraud team should undertake the investigation. If appropriate, advice and guidance will be provided by Internal Audit and Risk and Human Resources to enable an investigation to be undertaken by an appropriate officer within the service area.
- 4.9 Internal Audit and Risk will review the outcome of the investigation (irrespective of whether undertaken by its own staff or the staff from the service area), to ensure that appropriate action is taken to help detect/prevent similar frauds and make recommendations to strengthen internal control systems.
- 4.10 The Investigating Officer will:
- Deal promptly with the matter;
 - Record all evidence that has been received;
 - Ensure that evidence is sound and adequately supported;
 - Secure all of the evidence that has been collected;
 - Where appropriate, contact other agencies;
 - When appropriate, arrange for the notification of the Council's insurers;
 - Report to senior management, and where appropriate,

recommend the action to be taken by management in accordance with the Counter Fraud and Corruption Strategy and the Council's Disciplinary Procedure; and

- If a criminal act is being investigated seek advice from the Monitoring Officer to ensure that the investigation is undertaken in accordance with the Police and Criminal Evidence Act 1984 (PACE).

- 4.11 Where circumstances merit, close liaison will take place between the Investigating Officer, Internal Audit and Risk, Strategic Director, Corporate Resources, Monitoring Officer, the respective Service/Directorate and Human Resources as appropriate.

5. Sanctions and Recovery of Losses

- 5.1 The Council will seek the strongest sanctions against individuals/ organisations who commit fraud against the Council. The Council will in appropriate cases:

- Take disciplinary action where it involves an employee and this may lead to dismissal.
- Refer the case for local investigation by the Audit and Standards Committee where it involves a Member.
- Pursue a criminal prosecution. This will act as a deterrent to other fraudsters.
- Pursue civil proceedings to recover all amounts due to the Council.
- Where appropriate the results of any action taken, including prosecutions will be reported in the media.

- 5.2 If the Chief Internal Auditor determines that the Police need to be involved, either from the start or at a later stage in the investigation, Internal Audit and Risk will support the police investigation as necessary.

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TITLE OF REPORT: Local Code of Governance

REPORT OF: Mike Barker, Strategic Director, Corporate
Services and Governance

Purpose of the Report

1. This report asks the Audit and Standards Committee to consider and approve an updated version of the Local Code of Governance, based on the new CIPFA Delivering Good Governance in Local Government Framework.

Background

- 2 The Council has a local code of governance, which was originally presented to the Audit Committee in April 2007. The document was developed from a framework document produced by CIPFA and SOLACE. This has been updated on an annual basis.
- 3 The code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services and forms an integral part of the Councils' Annual Governance Statement, which is a legal requirement to demonstrate the level of assurance that can be given by the Council's control systems and governance arrangements.
- 4 The Code is essentially based on the Council's existing constitution, protocols and procedures but is updated to include changes to documents and procedures in the previous year. In particular, it takes account of the following actions achieved:
 - New Corporate Performance Management framework agreed with target and tracker indicators aligned to Council Plan 2015-2020
 - Review of Council Plan and Vision 2030
 - Review of Appraisal & Development
 - Development of the Councillor Engagement and Development Framework
 - Online consultation panel – engagement with residents
 - Corporate Employee Forum developed and Employee Survey 2016.

A number of initial areas for improvement have also been identified:

- Refresh of the corporate approach to performance management as part of the Change Programme new ways of working
- Review the Council's Strategic Partnership arrangements to ensure all 'add value' and effectively utilise partner resources
- Refresh of Gateshead Communities Together Strategy
- Review of Service business planning process

- Internal Communications Review & Communications Strategy
- Customer Strategy and Digital access to services

- 5 The Committee may recall that it was advised in March 2015 that CIPFA were reviewing their framework document (referred to in paragraph 2 above) to ensure that it remained fit for purpose. CIPFA issued their new Delivering Good Governance in Local Government: Framework along with comprehensive Guidance in April 2016. The Framework is attached as Appendix 1.
- 6 The new approach is intended to better assist local authorities, and associated organisations and vehicles through which authorities now work, in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self assessment. The principles of good governance in the framework are:

- Behaving with integrity
- Ensuring openness and comprehensive engagement
- Defining sustainable outcomes
- Determining interventions
- Developing capacity
- Managing risks and performance
- Implementing good practice in transparency

This approach accords with and should complement the work ongoing within the Ways of Working programme workstream.

Proposal

7. The new Framework will require a full re-drafting of the Council's Local Code of Governance although the majority of the information contained in the current Code will be pertinent to the new one. However, rather than just attempting a simple transposing of information, to get the best value from the new Framework a new approach was proposed.
8. At a meeting of this Committee on 6 March 2017 it was agreed that an iterative and measured approach be taken to development of the new Framework over the following 6-9 months so that the new Code could be fully populated and in place for March 2018. This would involve:
 - creation of a core officer working group
 - regular reports to Audit and Standards Committee along with involvement (e.g. by way of workshop sessions) in between
 - regular reports to Strategy Group and Leadership Team.

It was intended that this approach would enable development of a meaningful and inclusive code whilst communicating the fundamentals of good governance to officers and councillors.

9. The following actions have been undertaken.
- a core officer working group was established;
 - update reports were taken to Strategy Group on 29 March and 26 July 2017, along with a full session with the Leadership Team (all Directors) on 10th August 2017. Feedback from all of the sessions was taken into consideration in developing the new code.
 - a workshop session was held on 18 September 2017 involving a number of senior members and members of this Committee. A note of the workshop is attached at Appendix 2. Issues arising from the workshop were again taken into consideration in developing the new code.
10. Taking all of the work into consideration a Self Assessment document is attached at Appendix 3 which it is proposed will comprise the Local Code of Governance to be adopted for the future.

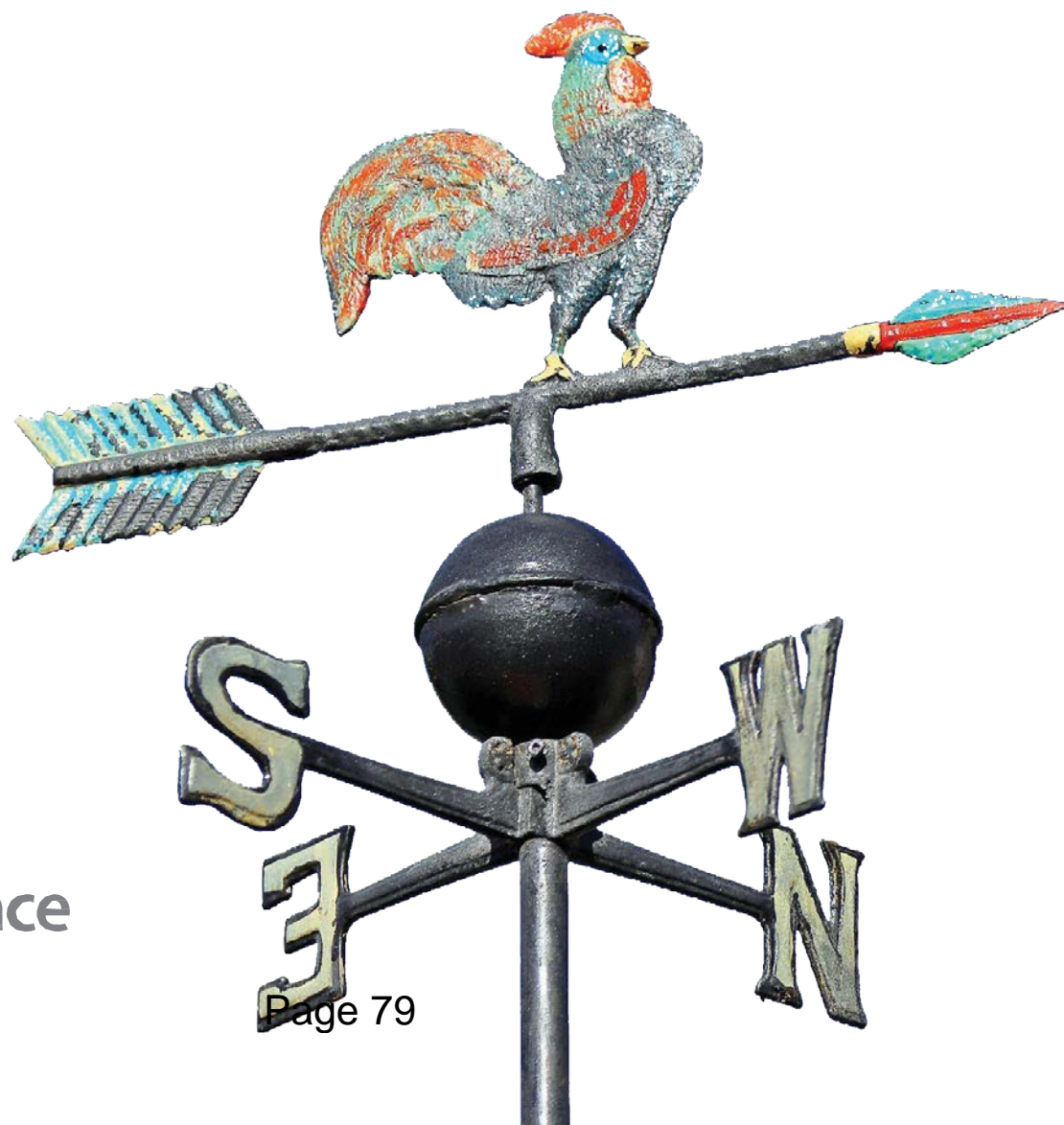
Recommendations

11. It is recommended that the Audit and Standards Committee approves the updated Local Code of Governance based on the new CIPFA Framework.

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2016 Edition



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\ delivering good governance

in Local Government
Framework
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CHAPTER ONE

Introduction

- 1.1 Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
- 1.2 It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.3 The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

CHAPTER TWO

Status

- 2.1 Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

- 2.2 This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

CHAPTER THREE

Requirements

- 3.1 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
- reviewing existing governance arrangements
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 3.2 The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 3.3 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
- 3.4 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Applicability and terminology

APPLICABILITY

- 4.1 The Framework is for all parts of local government and its partnerships, including:
- county councils
 - district, borough and city councils
 - metropolitan and unitary councils
 - the Greater London Authority and functional bodies
 - combined authorities, city regions, devolved structures
 - the City of London Corporation
 - combined fire authorities
 - joint authorities
 - police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
 - national park authorities.
- 4.2 The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

TERMINOLOGY

- 4.3 The terms ‘authorities’, ‘local government organisations’ and ‘organisations’ are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.
- 4.4 In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as ‘leader’ should be interpreted as relating to the PCC or the chief constable as appropriate.

CHAPTER FIVE

Guidance notes

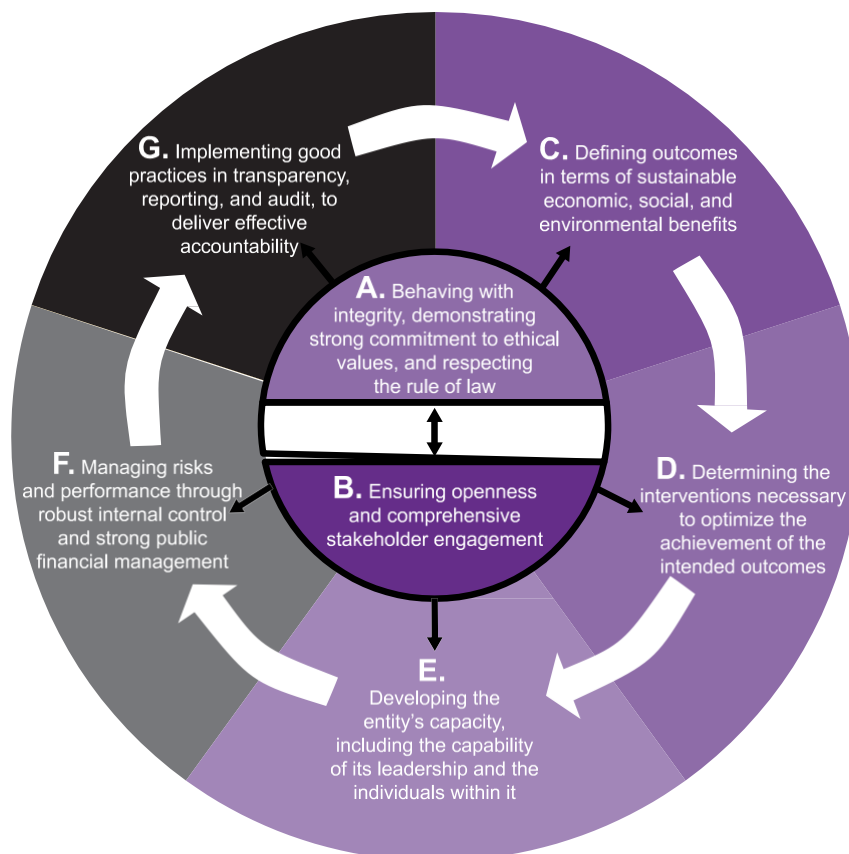
- 5.1 In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:
- local government in England (excluding police)
 - local government in Wales (excluding police)
 - police in England and Wales
 - local government in Scotland.
- 5.2 The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

The principles of good governance – application

DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

- 6.1 The diagram below, taken from the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

DEFINING GOVERNANCE

- 6.2 The International Framework defines governance as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

- 6.3 In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

- 6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	Behaving with integrity <ul style="list-style-type: none"> ■ 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 ■ 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) ■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ■ 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 Demonstrating strong commitment to ethical values <ul style="list-style-type: none"> ■ Seeking to establish, monitor and maintain the organisation's ethical standards and performance ■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation ■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

Core principles (shown in bold)	Sub-principles (shown in bold)
	<p>Respecting the rule of law</p> <ul style="list-style-type: none"> ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ■ 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 ■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders ■ Dealing with breaches of legal and regulatory provisions effectively ■ Ensuring corruption and misuse of power are dealt with effectively
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p> <ul style="list-style-type: none"> ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness ■ 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 ■ 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 ■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action <p>Engaging comprehensively with institutional stakeholders</p> <p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> ■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

Core principles (shown in bold)	Sub-principles (shown in bold)
	<ul style="list-style-type: none"> ■ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively ■ Ensuring that partnerships are based on: <ul style="list-style-type: none"> – trust – a shared commitment to change – a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit</p>
	<p>Engaging with individual citizens and service users effectively</p> <ul style="list-style-type: none"> ■ 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 ■ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement ■ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs ■ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account ■ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity ■ Taking account of the impact of decisions on future generations of tax payers and service users

Principles (shown in bold)	Sub-principles (shown in bold)
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</p>	<p>Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> <p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Defining outcomes</p> <ul style="list-style-type: none"> ■ 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 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 ■ Delivering defined outcomes on a sustainable basis within the resources that will be available ■ Identifying and managing risks to the achievement of outcomes ■ Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> ■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ■ 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 ■ 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 ■ Ensuring fair access to services

Principles (shown in bold)	Sub-principles (shown in bold)
D. Determining the interventions necessary to optimise the achievement of the intended outcomes Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.	Determining interventions <ul style="list-style-type: none"> ■ 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 ■ 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 impacts Planning interventions <ul style="list-style-type: none"> ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks ■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ■ 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 ■ Ensuring capacity exists to generate the information required to review service quality regularly ■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan ■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

Principles (shown in bold)	Sub-principles (shown in bold)
	<p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term ■ 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 ■ Ensuring the achievement of 'social value' through service planning and commissioning
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>Developing the entity's capacity</p> <ul style="list-style-type: none"> ■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ■ 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 ■ Recognising the benefits of partnerships and collaborative working where added value can be achieved ■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources <p>Developing the capability of the entity's leadership and other individuals</p> <ul style="list-style-type: none"> ■ 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 ■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ■ 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

Principles (shown in bold)	Sub-principles (shown in bold)
	<ul style="list-style-type: none"> ■ 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: <ul style="list-style-type: none"> – 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 – 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 ■ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections ■ Holding staff to account through regular performance reviews which take account of training or development needs ■ 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

Principles (shown in bold)	Sub-principles (shown in bold)
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Managing risk</p> <ul style="list-style-type: none"> ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ■ Ensuring that responsibilities for managing individual risks are clearly allocated <p>Managing performance</p> <ul style="list-style-type: none"> ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ■ 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 ■ 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 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 ■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

Principles (shown in bold)	Sub-principles (shown in bold)
	Robust internal control <ul style="list-style-type: none"> ■ Aligning the risk management strategy and policies on internal control with achieving objectives ■ Evaluating and monitoring risk management and internal control on a regular basis ■ Ensuring effective counter fraud and anti-corruption arrangements are in place ■ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor ■ Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> – 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 upon
	Managing data <ul style="list-style-type: none"> ■ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data ■ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies ■ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
	Strong public financial management <ul style="list-style-type: none"> ■ Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance ■ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Principles (shown in bold)	Sub-principles (shown in bold)
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	Implementing good practice in transparency <ul style="list-style-type: none"> ■ 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 ■ 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 Implementing good practices in reporting <ul style="list-style-type: none"> ■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ■ Ensuring members and senior management own the results reported ■ 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) ■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate ■ 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 Assurance and effective accountability <ul style="list-style-type: none"> ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ 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 ■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Annual review and reporting

THE ANNUAL GOVERNANCE STATEMENT

- 7.1** Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
- 7.2** The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 7.3** The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.
- 7.4** The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.
- 7.5** The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
 - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate
 - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
 - reference to how issues raised in the previous year's annual governance statement have been resolved
 - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 7.6 The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.
- 7.7 The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).
- 7.8 Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

GOVERNANCE ARRANGEMENTS

- 7.9 Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.
- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
 - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
 - Documenting a commitment to openness and acting in the public interest.
 - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
 - Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
 - Translating the vision into courses of action for the authority, its partnerships and collaborations.
 - Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
 - Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government \(2015\)](#) or [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable \(2014\)](#) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the [Code of Practice on Managing the Risk of Fraud and Corruption \(CIPFA, 2014\)](#).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Head of Internal Audit \(2010\)](#) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in [Audit Committees: Practical Guidance for Local Authorities and Police \(CIPFA, 2013\)](#).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.



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REVIEWING THE LOCAL CODE OF GOVERNANCE

18 SEPTEMBER 2017

Purpose of Meeting

The group received a presentation which provided an update on the review to the local code of governance. Attendees were taken through the new Framework then the matter was opened up for general discussion.

Summary of Advice

How do we demonstrate that appropriate values and behaviours are embedded in the Council, e.g. behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law?

The group felt that the Council already has a number of codes, systems and protocols in place which outlines the values and behaviours expected across the organisation and management cascade this to teams to ensure that they are embedded within the culture of the council. Similarly staff are given the opportunity on a regular basis to feed into this process e.g. team brief, employee survey, A&D's and one to ones and this is all evidenced in the inspection/peer process however there is always room for improvement to ensure that the Council does not become complacent. It was also noted that a very high percentage of the workforce are happy to work for the council and think it's a good place to work. It was felt appropriate to have an annual review of councillor training needs to cater for any ongoing changes to roles and remit.

Do the Council's arrangements for Councillor induction and training contribute towards developing its capacity, including the capability of its leadership and councillors generally?

The group felt that the right mechanisms were in place through the member development framework. However it was felt that it would be helpful if elected members were reminded which training was compulsory and if specific training could be delivered as councillor's move from one committee responsibility to another. Refresher training would also be helpful especially as some councillors have long length of service.

Probity and Ethics training needed to be refreshed every term of office.

Is the Council engaging appropriately with all stakeholders and particularly the public?

The group felt that an obvious successful example was the budget consultation process and it was recognised that the council consults in a vast variety of ways now than ever before - e.g. Facebook, twitter, council website (as well as face to face and in paper format also should that be requested). It was also noted that the Council's website usage has increased 10% in the last year alone.

There has also been a big rise in the number of young people also wanting to be involved in the council's view point panel and it was recognised that the use of

videos/animations and video messages is getting the message out to far many more people than previously.

It was recognised that various mediums were reaching far more people but it was also recognised that we also have an increasingly ageing population and some people do not have internet access or are comfortable with the use of social media, so it must be recognised that the Council still need to communicate in a democratic way.

The way the Council feeds back to the public also needs to consider the wide variety of sectors of the population and the correct communication mechanism must also fit the audience. A communications strategy would be useful in this regard.

Does the Council manage risk appropriately through proper internal controls?

Councillor Turnbull reported that he was new to the Audit and Standards Committee and he was struggling to understand Risk especially in relation to the recent Grenfell Tower incident. It was agreed that training and briefing sessions would be organised specifically for him as a matter of urgency.

The group felt that the internal controls in place to manage risk were as robust as they could be, although they must be reviewed regularly to ensure that they continue to be as robust as they can be and that they are always fit for purpose to ensure that services are delivered and to protect the people of the Borough. There should be an annual update training on risk for members of the Audit and Standards Committee.

MEMBERS PRESENT:

Councillor Jim Turnbull, Councillor John McElroy and Mr Brinley Jones

OFFICERS PRESENT:

Martin Harrison, Marisa Jobling, Andrea Tickner, Colin Huntington, Craig Oakes, Keith Purvis, John Jopling, Peter Udall, Elaine Devaney, Steve Horne, Helen Conway

GATESHEAD COUNCIL - LOCAL CODE OF GOVERNANCE 2018-2019

SELF ASSESSMENT

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law		
Sub principle: Behaving with integrity	We demonstrate this by:	Action required:
<ul style="list-style-type: none">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.	<ul style="list-style-type: none">Code of conduct for members of the Council (consistent with Nolan’s Seven Principles of Public Life); identifying other Registerable Personal InterestsCode of conduct for employees (paragraph 2 of Part 2 of the handbook of national conditions of service for local authority employees states “Employees will maintain conduct of the highest standard such that public confidence in their integrity is sustained.”)Declarations of interests at meetingsCouncil Protocols eg Councillor/Officer relations, Development Control – protocol on Good Practice, Regulatory and Licensing Committees – protocols on Good PracticeMember Induction programmeCorporate induction for employeesAnnual Governance StatementGift and Hospitality registerAppraisal and Development sessionsWhistleblowing Policy - Arrangements for the PublicWhistleblowing Policy for employees	<ul style="list-style-type: none">Code is updated as and when required.Annual review of the protocolsAnnual review of the Constitution and Governance Statement
<ul style="list-style-type: none">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).		
<ul style="list-style-type: none">Leading by example and using these standard operating principles or values as a framework for decision making and other actions.		
<ul style="list-style-type: none">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.		
Sub principle: Demonstrating strong commitment to ethical values		
<ul style="list-style-type: none">Seeking to establish, monitor and maintain the organisation’s ethical standards and performance.	<ul style="list-style-type: none">Council Plan 2015-2020 includes Values and Behaviours expected of members and officers	<ul style="list-style-type: none">Annual review of councillor training

<ul style="list-style-type: none">• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation.	<ul style="list-style-type: none">• Code of conduct for officers and members• Council Protocol 1 – Our Values• Employee competency framework• Member Officer protocol• Workforce Strategy & Action Plan• Equal Opportunities Policy• Councillor Development Framework includes appropriate training• Strategic Commissioning framework	needs following changes in their roles and remit
<ul style="list-style-type: none">• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.		
<ul style="list-style-type: none">• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.		
Sub principle: Respecting the rule of law		
<ul style="list-style-type: none">• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.	<ul style="list-style-type: none">• Monitoring officer provisions/statutory roles• Financial regulations• Contracts procedure rules• Statement of accounts• Council reports including implications from financial and legal officers• Audit and Standards Committee – members assurance statements• Council’s decision making processes eg Planning	<ul style="list-style-type: none">• Risk management policy to be reviewed
<ul style="list-style-type: none">• 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.		
<ul style="list-style-type: none">• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.		
<ul style="list-style-type: none">• Dealing with breaches of legal and regulatory provisions effectively.		

<ul style="list-style-type: none"> Ensuring corruption and misuse of power are dealt with effectively. 	<ul style="list-style-type: none"> and Development Committee Constitution Partnership arrangements Gateshead Trading Company Risk management policy Whistleblowing policy ICT security policy Complaints procedure Counter Fraud and Bribery policy 	
Principle B: Ensuring openness and comprehensive stakeholder engagement		
Sub principle: Openness	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. 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. 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. Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	<ul style="list-style-type: none"> Transparency agenda eg FOIs, council expenditure over £500, senior officer salaries Constitution (references meetings open to the public) Council papers, agendas and minutes (including Calendar of Meetings) Access to information rules Customer feedback and complaints Equality impact assessments Consultation principles Viewpoint Panel Consultation portal Partnership meetings Employee forums Annual report Use of social media and email eg Gateshead Now 	
Sub principle: Engaging comprehensively with institutional stakeholders		
<ul style="list-style-type: none"> Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. 	<ul style="list-style-type: none"> Partnership arrangements/ agreements/memorandum of understanding Partnership protocol 	<ul style="list-style-type: none"> Partnerships audited on annual basis Review of Corporate

<ul style="list-style-type: none"> • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. 	<ul style="list-style-type: none"> • Partnership guidance for officers • Partnership Risk Register 	Communications Strategy
<ul style="list-style-type: none"> • Ensuring that partnerships are based on: <ul style="list-style-type: none"> - 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. 		
Sub principle: Engaging stakeholders effectively, including individual citizens and service users		
<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. 	<ul style="list-style-type: none"> • Consultation principles • Viewpoint panel • Service user involvement forums • Consultation portal • Communications Strategy • Social media • Members briefing • Council News • Numerous public surveys held throughout the year • Gateshead Now email • Have your Say inbox • Web feedback • Reflect full range of comments in council reports • Youth Assembly • Corporate Parenting role 	
<ul style="list-style-type: none"> • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement. 		
<ul style="list-style-type: none"> • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. 		
<ul style="list-style-type: none"> • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account. 		
<ul style="list-style-type: none"> • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. 		
<ul style="list-style-type: none"> • Taking account of the interests of future generations of tax payers and service users. 		

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits		
Sub principle: Defining outcomes	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions. 	<ul style="list-style-type: none"> Corporate policy, planning framework Vision 2030 Council Plan 2015-2020 Service Business Plans Medium Term Financial Strategy 2017-22 Corporate performance management framework - 6 monthly performance reports Impact assessments Strategic and Operational Risk Registers Budget consultation 	<ul style="list-style-type: none"> MTFS updated at least annually Service Business Plans reviewed annually Operational risk registers are reviewed at least yearly
<ul style="list-style-type: none"> 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. 		
<ul style="list-style-type: none"> Delivering defined outcomes on a sustainable basis within the resources that will be available. 		
<ul style="list-style-type: none"> Identifying and managing risks to the achievement of outcomes. 		
<ul style="list-style-type: none"> Managing service user expectations effectively with regard to determining priorities and making the best use of the resources available. 		
Sub principle: Sustainable economic, social and environmental benefits		
<ul style="list-style-type: none"> Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. 	<ul style="list-style-type: none"> Council reports include relevant implications Medium Term Financial Strategy 2017-22 Capital Programme Consultation Principles Records of decision making Equal opportunities policy Strategic Risk Register 	<ul style="list-style-type: none"> MTFS updated at least annually Development of an Investment Strategy Annual review of Strategic Risk Register
<ul style="list-style-type: none"> 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. 		
<ul style="list-style-type: none"> 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. 		
<ul style="list-style-type: none"> Ensuring fair access to services. 		

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Sub principle: Determining interventions	We demonstrate this by:	Action required:
<ul style="list-style-type: none">Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.	<ul style="list-style-type: none">Medium Term Financial Strategy 2017-22Decision making protocolsOutcomes from consultationsCouncil reports including summary of consultation, alternative options, and implications	<ul style="list-style-type: none">MTFS updated at least annually
<ul style="list-style-type: none">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 impacts.		
Sub principle: Planning interventions		
<ul style="list-style-type: none">Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	<ul style="list-style-type: none">Policy planning frameworkProject managementRisk management policyCorporate performance management frameworkProject managementCommissioning Strategy - monitoring mechanisms in placeMedium Term Financial Strategy 2017-22Budget guidanceBudget consultationBudget ReportCapital Programme	
<ul style="list-style-type: none">Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.		
<ul style="list-style-type: none">Considering and monitoring risks facing each partner when working collaboratively including shared risks.		
<ul style="list-style-type: none">Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.		
<ul style="list-style-type: none">Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.		
<ul style="list-style-type: none">Ensuring capacity exists to generate the information required to review service quality regularly.		
<ul style="list-style-type: none">Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.		
<ul style="list-style-type: none">Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.		

Sub principle: Optimising achievement of intended outcomes		
<ul style="list-style-type: none"> Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. 	<ul style="list-style-type: none"> Budget consultation framework Budget Guidance Medium Term Financial Strategy 2017-22 Corporate Commissioning strategy Service Business Planning 	<ul style="list-style-type: none"> Budget guidance issued annually to Leadership Team MTFS updated at least annually
<ul style="list-style-type: none"> Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. 		
<ul style="list-style-type: none"> 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. 		
<ul style="list-style-type: none"> Ensuring the achievement of 'social value' through service planning and commissioning. 		

Principle E: Developing the Council’s capacity, including the capability of its leadership and the individuals within it		
Sub principle: Developing the entity’s capacity	We demonstrate this by:	Action required:
<ul style="list-style-type: none">• Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.	<ul style="list-style-type: none">• Roles and responsibilities of the Executive and senior officers• Job descriptions for councillor roles• Councillor Development framework• Annual Pay policy statement• Partnership arrangements• Workforce Strategy and Plan	
<ul style="list-style-type: none">• Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently.		
<ul style="list-style-type: none">• Recognising the benefits of partnerships and collaborative working where added value can be achieved.		
<ul style="list-style-type: none">• Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.		
Sub principle: Developing the capability of the entity’s leadership and other individuals		
<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• Councillor officer protocol• Relevant job profiles• Constitution – delegated decisions• Induction Programme• Member personal development plans (Councillor support and development group)• Workforce Strategy• Workforce Plan• LGA Peer Review 2016• Ofsted and CQC Inspections• Scrutiny framework• Staff development plans linked to Appraisal and Development• Health and Safety policy• Wellbeing at work initiatives eg health advocates and mental health first aiders• Viewpoint Residents Panel• Resident’s Survey	
<ul style="list-style-type: none">• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.		
<ul style="list-style-type: none">• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and balance for each other’s authority.		
<ul style="list-style-type: none">• Developing the capabilities of members and senior management to achieve effective shared 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:<ul style="list-style-type: none">– ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational		

<p>requirements is available and encouraged</p> <ul style="list-style-type: none"> – 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 – ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. 	<ul style="list-style-type: none"> • Constitution (reference meetings open to public) 	
<ul style="list-style-type: none"> • Ensuring that there are structures in place to encourage public participation. 		
<ul style="list-style-type: none"> • Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. 		
<ul style="list-style-type: none"> • Holding staff to account through regular performance reviews which take account of training or development needs. 		
<ul style="list-style-type: none"> • 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. 		

Principle F: Managing risks and performance through robust internal control and strong public financial management		
Sub principle: Managing Risk	We demonstrate this by:	Action required:
<ul style="list-style-type: none"> • Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. • Ensuring that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Service Operational risk register • Strategic Risk Register • Corporate Risk and Resilience Group • Audit and Standards Committee remit • Business Continuity Plans • Service Business Plans • Corporate Risk Management Policy 	<ul style="list-style-type: none"> • Centralisation of risk documents and tools (via the intranet) to enable easier access for councillors and employees
Sub principle: Managing Performance		
<ul style="list-style-type: none"> • Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. • 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. • Ensuring an effective scrutiny or oversight function is in place which encourages 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. • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements). 	<ul style="list-style-type: none"> • Council's Forward Plan/Schedule of Decisions • Corporate performance management framework • Member development eg scrutiny training • Quarterly monitoring updates regarding revenue and capital spend • Publication of agendas and minutes of meetings 	<ul style="list-style-type: none"> • Annual training update relating to Risk for members of the Audit and Standards Committee
Sub principle: Robust internal control		
<ul style="list-style-type: none"> • Aligning the risk management strategy and policies on internal control with achieving the objectives. 	<ul style="list-style-type: none"> • Corporate Risk Management Policy 	<ul style="list-style-type: none"> • Risk management policy to be

<ul style="list-style-type: none">• Evaluating and monitoring the authority’s risk management and internal control on a regular basis.	<ul style="list-style-type: none">• Internal Audit programme• Corporate Risk and Resilience Group• Strategic and Operational Risk Registers• Audit and Standards Committee – oversight of management processes• Counter Fraud and Bribery Policy• Anti-money laundering policy• Local Code of Governance• Internal Audit Charter and Strategy• Annual governance statement• Audit and Standards Committee, minutes and agendas• Overview and Scrutiny Committees	<p>reviewed</p> <ul style="list-style-type: none">• Development of a policy relating to the prevention of the facilitation of tax evasion (Criminal Finances Act 2017)
<ul style="list-style-type: none">• Ensuring effective counter fraud and anti-corruption arrangements are in place.		
<ul style="list-style-type: none">• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.		
<ul style="list-style-type: none">• Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:<ul style="list-style-type: none">– 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 upon.		
Sub principle: Managing data		
<ul style="list-style-type: none">• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including process to safeguard personal data.	<ul style="list-style-type: none">• Constitution – Data Protection Statement• Data Protection policy• Information Security Strategy• Provide performance information to scrutiny and senior officer group• Data sharing agreements in place regarding Troubled Families programme and health data• Internal audit inspection on data quality on strategic outcome indicators	<ul style="list-style-type: none">• Annual data quality audit undertaken of the strategic outcome indicators
<ul style="list-style-type: none">• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.		
<ul style="list-style-type: none">• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.		
Sub principle: Strong public financial management		
<ul style="list-style-type: none">• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.	<ul style="list-style-type: none">• Constitution - Financial regulations, Delegations, Budget and Policy Framework rules and Contracts Procedure rules• Budget monitoring reports• Strategic Risk Register• Assurance Statements• Internal and External Audit	
<ul style="list-style-type: none">• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.		

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
Sub principle: Implementing good practice in transparency	We demonstrate this by:	Action required:
<ul style="list-style-type: none">• Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	<ul style="list-style-type: none">• Council’s website• Council Protocol 3 – Report Formats and Preparing Reports• Adopting Plain English standards• Comply with the local government transparency code and publish all required information in a timely manner• Access to information rules• Publication of reports on the open part of committee agenda subject to the Access to information rules	<ul style="list-style-type: none">• Council Protocols are reviewed on an annual basis
<ul style="list-style-type: none">• 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.		
Sub principle: Implementing good practices in reporting		
<ul style="list-style-type: none">• Reporting at least annually on performance, value for money and the stewardship of its resources.	<ul style="list-style-type: none">• Corporate performance management framework• Roles and responsibilities outlined in Constitution• Audit and Standards Committee• Cabinet agendas• Medium Term Financial Strategy• Annual Governance Statement• Council’s Annual Report	<ul style="list-style-type: none">• Annual review of the Constitution• MTFS updated at least annually
<ul style="list-style-type: none">• Ensuring members and senior management own the results.		
<ul style="list-style-type: none">• Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).		
<ul style="list-style-type: none">• Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.		
<ul style="list-style-type: none">• Ensuring the performance information that accompanies the financial statement is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.		
Sub principle: Assurance and effective accountability		
<ul style="list-style-type: none">• Ensuring that recommendations for corrective action made by external audit are acted upon.	<ul style="list-style-type: none">• Managed through the Audit and Standards Committee - review of the effectiveness of internal audit	<ul style="list-style-type: none">• Partnership arrangements and risk register is
<ul style="list-style-type: none">• Ensuring an effective internal audit service with direct access to		

members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.	<ul style="list-style-type: none"> Findings from internal audit programme of inspections are reported to Audit and Standards Committee. LGA Corporate Peer Challenge undertaken in 2016 Ofsted and CQC inspections reported through political framework Annual governance statement Partnership arrangements and risk register Annual Audit Letter issued by external auditor 	reviewed annually by Internal Audit
<ul style="list-style-type: none"> Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. 		
<ul style="list-style-type: none"> Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. 		
<ul style="list-style-type: none"> Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. 		

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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