



## AUDIT AND STANDARDS COMMITTEE AGENDA

**Monday, 20 June 2016 at 10.00 am in the Blaydon Room - Civic Centre**

From the Chief Executive, Jane Robinson

Item Business

**1. Apologies for Absence**

**2. Constitution**

The constitution of the Committee, including the appointment of the Chair and Vice Chairs, was approved by the Council at its meeting on Friday 20 May 2016 as follows:

<b>Chair</b>	Councillor Helen Hughes	
<b>Vice Chair</b>	Councillor Michael Hood	
<b>Councillors</b>	Pauline Dillon Linda Green John McElroy	Jill Green John McClurey
<b>Independent Members</b>	Judith Common George Clark Councillor Audrey Harrison (Lamesley Parish)	Brinley Jones
<b>Independent Person</b>	Tony Atkinson	

**3. Remit of the Audit and Standards Committee (Pages 3 - 6)**

Report of the Strategic Director Corporate Services and Governance

**4. Minutes (Pages 7 - 8)**

The Committee is asked to approve, as a correct record, the minutes of the meeting held on Monday 25 April 2016.

**5. Declarations of Interest**

Members to declare interests in any agenda items.

**6. External Auditor: Audit Progress Report (Pages 9 - 18)**

Report of the Strategic Director, Corporate Resources

**7. Oversight of Management Processes 2015/16 (Pages 19 - 30)**

Report of the Strategic Director, Corporate Resources.

8. **Members' Assurance Statements 2015/16** (Pages 31 - 32)  
Report of the Strategic Director, Corporate Resources
  9. **Managers' Assurance Statements 2015/16** (Pages 33 - 38)  
Report of the Strategic Director, Corporate Resources.
  10. **Review of the Effectiveness of Internal Audit 2015/16** (Pages 39 - 50)  
Report of the Strategic Director, Corporate Resources.
  11. **Corporate Risk Management - Annual Report 2015/16** (Pages 51 - 74)  
Report of the Strategic Director, Corporate Resources.
  12. **Exclusion of the Press and Public**  
  
The Committee may wish to exclude the press and public from the meeting during consideration of the exempt item in accordance with Schedule 12A to the Local Government Act 1972.
  13. **Annual Governance Statement 2015/16** (Pages 75 - 88)  
Report of the Strategic Director, Corporate Resources.
- EXEMPT ITEM
14. **Internal Audit Annual Report 2015/16** (Pages 89 - 96)  
Report of the Chief Internal Auditor



## AUDIT AND STANDARDS COMMITTEE

20 June 2016

**TITLE OF REPORT:** Remit of the Audit and Standards Committee

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

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### 1. Purpose of the Report

To advise the Audit and Standards Committee that it has delegated power to:

- (i) consider the effectiveness of the Council's risk management arrangements, the internal control environment and associated anti-fraud and anti-corruption arrangements;
- (ii) seek assurances, and satisfy itself, that action is being taken on risk-related issues identified by auditors and inspectors;
- (iii) satisfy itself that the Council's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;
- (iv) approve the Council's Statement on Internal Control and Annual Governance Statement;
- (v) approve, but not direct, the Council's internal audit strategy and audit plan, and monitor its performance;
- (vi) review reports on internal audit activity and the main issues arising, and seek assurances that action has been taken where necessary;
- (vii) consider the annual audit report on internal audit activity;
- (viii) consider the reports of external audit and inspection agencies;
- (ix) review the scope and depth of external audit work, inspection agencies and other relevant bodies, and ensure that they provide value for money;
- (x) raise the profile of audit, risk management and the internal control environment;

- (xi) review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit;
- (xii) consider the Council's arrangements for Corporate Governance and agreeing necessary actions to ensure compliance with best practice;
- (xiii) consider treasury management performance reports;
- (xiv) promote and maintain high standards of conduct by councillors and co-opted members;
- (xv) assist the councillors and co-opted members to observe the Members' Code of Conduct;
- (xvi) advise the Council on the adoption or revision of the Members' Code of Conduct;
- (xvii) monitor the operation of the Members' Code of Conduct;
- (xviii) advise, train or arrange to train councillors and co-opted members on matters relating to the Members' Code of Conduct;
- (xix) grant dispensations to councillors and co-opted members from requirements relating to interests set out in the Members' Code of Conduct so far as not delegated to the Monitoring Officer including holding hearings as appropriate undertaken by a standards sub-committee set up for the purpose;
- (xx) assist and advising parish councils in the Borough, if requested and as appropriate, in relation to their discharge of functions (xiv) – (xix) above on request of their parish councillors;
- (xxi) in accordance with the approved delegations, deal with written allegations that a councillor or co-opted member (or former councillor or co-opted member) of the Council or a parish councillor or former parish councillor in the Borough has failed, or may have failed, to comply with the Members' Code of Conduct.
- (xxii) set from time to time appropriate allowances and expenses payable to the statutory Independent Persons;
- (xxiii) amend from time to time as it considers appropriate the arrangements to be followed in the initial consideration, investigation or hearing of any complaint of a breach of the Code of Conduct;
- (xxiv) take any of the actions in respect of any member who after investigation the Committee decides, following a recommendation from a Standards Sub-Committee has failed to comply with the Code of Conduct;
- (xxv) promote and maintain high standards of conduct by officers;

(xxvi) assist officers to observe the Code of Conduct for Employees;

### **Standards Sanctions**

Actions delegated to the Committee on a finding that a member has failed to comply with the Code of Conduct:

- Issue a formal censure.
- Recommend to full Council (or to the Parish Council) the issue of a formal censure by the Council (or by the Parish Council).
- Refer its findings to full Council (or the Parish Council) for information;
- Publish its findings by such means as the Committee thinks fit.
- Recommend to the Council (or the Parish Council) that the member be removed from any or all Committees or Sub-Committees (subject to the approval of the member's Group if applicable).
- Recommend to the Council (or the Parish Council) that the member be removed from being the chair or vice –chair of any Committees or Sub-Committee.
- Recommend to the Leader of the Council that the member be removed from the Cabinet, or from particular portfolio responsibilities.
- Recommend to the Council (or the Parish Council) that the member be removed from one or more outside appointments to which s/he has been appointed or nominated by the Council (or the Parish Council).
- Instruct the Monitoring Officer to offer training to the member or recommend that the Parish Council should do so.

### **2. Recommendation**

The Committee is asked to note this information.

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**Contact:** Neil Porteous

**Ext:** 2149

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## AUDIT AND STANDARDS COMMITTEE

MONDAY, 25TH APRIL, 2016

**Present** Councillor Brian Coates in the Chair

Councillors N Weatherley (Vice-Chair), P Dillon, J Green, L Green,  
J McClurey and J McElroy

Independent Members: Mr G Clark, Mrs J Common and Mr B Jones

**18** **Minutes**

The minutes of the last meeting held on 7 March 2016 were approved as a correct record.

**19** **Declarations of Interest**

There were no declarations of interest.

**20** **External Auditor: Audit Progress Report**

The external auditor's progress report has been presented showing progress against planned work. The report also summarised the following:

- Accounts workshop for officers.
- North East Governance Forum.
- Changes impacting on the Statement of Accounts, Local Audit and Accountability Act 2014 and Audit Regulations 2015.
- National publications and other updates.

In response to a query regarding the appointment process for the Council's external auditor from 2018/19, the Committee was advised that further details would be brought back to it as more details were published on the proposed arrangements.

The Committee was also informed that a comprehensive training programme was being developed. Training sessions have been organised for 6 June 2016 on Treasury Management. Details would be circulated to all members of the Committee.

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

**21** **The Internal Audit Strategy Statement and Annual Plan 2016/17**

The Committee received a report setting out the proposed Audit Strategy Statement and annual plan of work to be undertaken by the Internal Audit and Risk Service in 2016/17.

In response to a question regarding the risk ratings in appendix 1 to the report, the Committee was advised that in future a post audit review would be undertaken to ensure that the scoring was accurate.

A member referred to the effectiveness of the Council's ICT systems and web information. Members were informed that a team of IT auditors were due to review these and the results would be shared with the Committee. In addition, this area of work was being addressed through the Digital workstream of the Council's Change Programme.

- RESOLVED – (i) That the Audit Strategy Statement and the annual plan of work to be provided by the Internal Audit and Risk Service for 2016/17 be noted.
- (ii) That quarterly monitoring reports be received showing progress made against the plan.

**22 Corporate Risk Management 2015/16 - Quarterly Report to 31 March 2016**

The Committee received a report detailing the developments in Corporate Risk Management during the period 1 January 2016 to 31 March 2016.

An Action Plan for the delivery of the Development Objectives for 2015/16 was also presented. This incorporates details of progress made.

RESOLVED – That the information be noted

**23 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 7 of Schedule 12A to the Local Government Act 1972.

**24 Internal Audit Plan 2015/16 - Quarterly Monitoring Report to 31 March 2016**

The progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2015/16 was presented to the Committee together with a summary of the main findings arising from audit activity throughout the period 1 January 2016 to 31 March 2016.

A total of nine audit reports were issued during the period and the findings of these were presented to the Committee. The internal Audit and Risk Service also completed one grant certification.

RESOLVED – That the information be noted.

**25 Councillor Brian Coates**

Members were advised that the Chair, Councillor Brian Coates, was attending his last meeting of the Committee before stepping down as a councillor following the local elections on 5 May 2016.

RESOLVED - That the Committee place on record its thanks and appreciation of Councillor Coates' work as Chair of the Committee.



**TITLE OF REPORT: External Auditor: Audit Progress Report**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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**Purpose of the Report**

- 1 This report updates the Audit and Standards Committee on Mazars progress in delivering the 2015/16 audit and value for money conclusion.

**Background**

- 2 The report outlines:
  - 2015/16 summary of audit progress
  - North East Governance Forum
  - National publications and other updates.
- 3 The external auditor's report is attached at Appendix A.

**Recommendation**

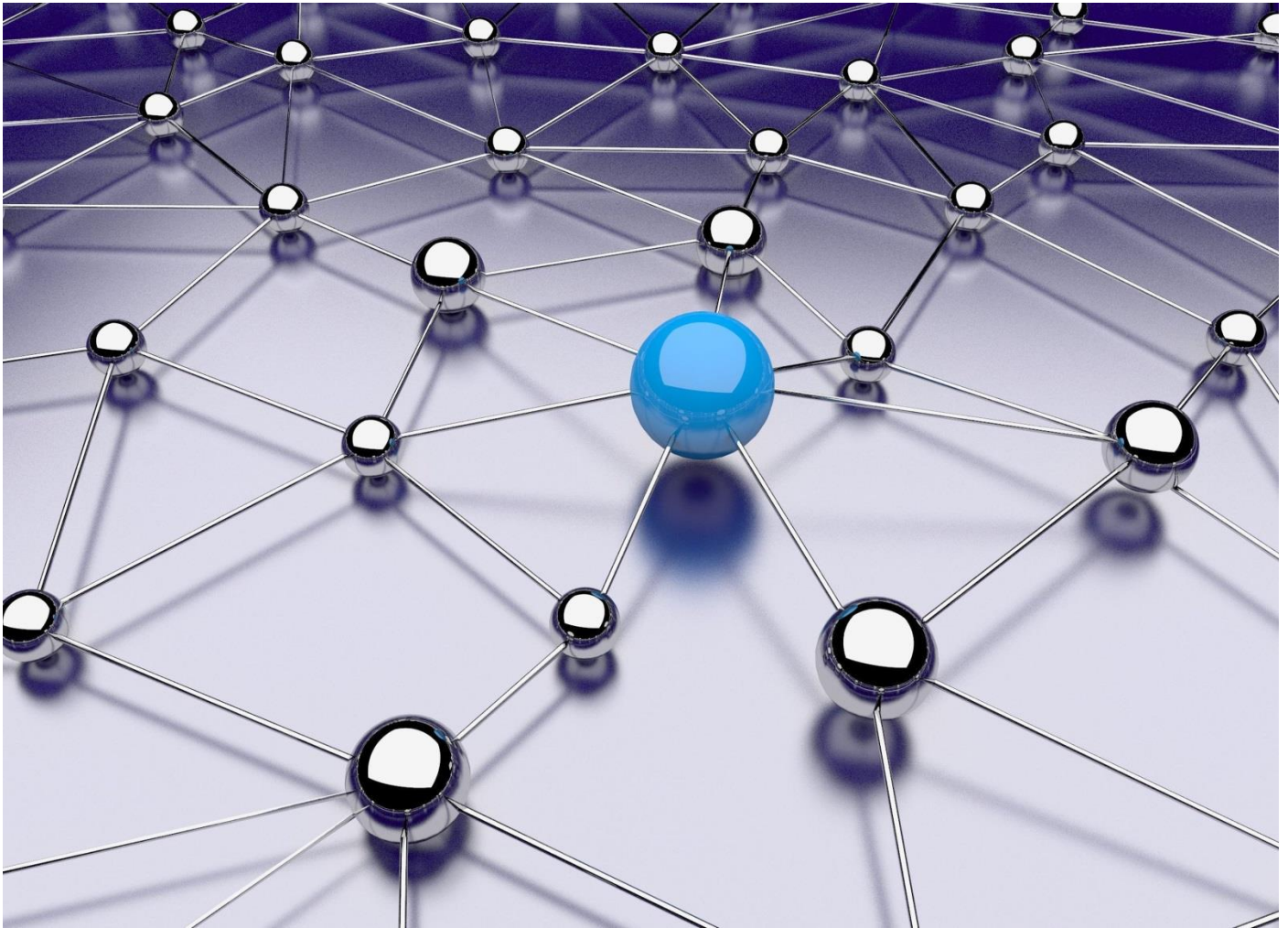
- 4 The Committee is requested to note the contents of the external auditor's report.

<b>Contact name: David Johnson Ext - 3711</b>
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# Gateshead Council Audit Progress Report

June 2016



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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 Gateshead Council, its Members, Directors or officers are prepared for the sole use of the audited body and we take no responsibility to any Member, Director or officer in their individual capacity or to any third party.*

# 01 Introduction

The purpose of this report is to update the Audit and Standards Committee of Gateshead Council (the Council) on progress in delivering our responsibilities as your external auditors.

We have also highlighted key emerging national issues and developments which may be of interest to Committee Members.

If you require any additional information, please contact us using the details at the end of this update.

# 02 Summary of audit progress

## 2015/16 audit

We have now completed our detailed audit planning, in particular we have:

- carried out our initial planning in respect of 2015/16, refreshing our understanding of the business and what we consider are the significant risks of material misstatement in respect of the financial statements and also the Value for Money (VfM) conclusion so as to inform our testing strategy;
- documented a walkthrough of the key financial systems;
- held on-going liaison meetings with your Internal Auditors to both share common knowledge and ensure no duplication;
- held on-going liaison meetings with senior officers; and
- considered key agendas and papers.

Based on our work to date we have no significant matters arising to report to you and there are no changes to our original assessment of significant risks (Opinion and VfM) as set out in our Audit Strategy Memorandum which was presented to the Audit and Standards Committee on 7 March 2016.

Work has now commenced on the Council's draft 2015/16 Statement of Accounts, which we received on 31 May 2016. We plan to include our Audit Completion Report on the agenda of the Audit and Standards Committee on 25 July 2016 before we present to the Accounts Committee for approval on 29 July 2016.

## North East Governance Forum

The forum was established for officers and Members, particularly Chairs and Vice Chairs of Audit Committees, with the aims of:

- promoting good practice in governance;
- facilitating dialogue, debate and sharing of ideas among those providing governance oversight;
- horizon scanning to ensure that the forum is briefed on the latest developments and key topical issues; and
- providing a safe and valued forum for discussion.

The second meeting of our North East Governance Forum took place at Durham County Cricket Club on 16 June 2016, which was attended by Members and officers of the Council.

The topics discussed on this occasion included:

- Cybercrime and system resilience;
- Risk register benchmarking; and
- Governance round-up.

# 03 National publications and other updates

National publications and other updates	
1.	<b>Item 8 Determination consultation</b> , <i>Department for Communities and Local Government, May 2016</i>
2.	<b>Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019</b> , <i>Department for Communities and Local Government, April 2016</i>
3.	<b>Oversight of audit quality</b> , <i>Public Sector Audit Appointments, quarterly compliance reports 2015/16</i>

## 1. Item 8 Determination consultation, Department for Communities and Local Government, May 2016

The introduction of self-financing to the Housing Revenue Account (HRA) in April 2012, fundamentally changed the way that local authority housing is funded. The former system of redistributive subsidy, with all its associated complexity, was replaced with a system where rental income is kept locally in return for authorities taking on a level of debt representative of the value of the stock. Local Authorities took on the responsibility for investment in the housing assets based on a 30 year Business Plan.

As part of the self-financing settlement, substantial changes were made to the accounting treatment of capital assets. A five year transitional period was put in place to help local authorities manage the impact of these changes by allowing them to “reverse out” impairment charges and to use the former Major Repairs Allowance (MRA) as a proxy for calculating depreciation, whilst preparing for fully componentised depreciation in line with proper accounting practices.

The transitional period ends on 31 March 2017. This consultation paper outlines the Department’s proposals for dealing with the end of that transitional period.

<https://www.gov.uk/government/consultations/housing-revenue-account-draft-item-8-credit-and-item-8-debit-general-determination>.

## 2. Fighting fraud and corruption locally: the local government counter fraud and corruption strategy 2016 to 2019, Department for Communities and Local Government, April 2016

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses. This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment illustrates

the financial benefits that can accrue from fighting fraud more effectively;

- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan; and
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

<https://www.gov.uk/government/publications/fighting-fraud-and-corruption-locally-2016-to-2019>

**3. Oversight of audit quality: quarterly compliance reports 2015/16, Public Sector Audit Appointments Ltd**

There are no significant issues arising highlighted in respect of Mazars LLP in the latest quarterly report (quarter 4 of 2015/2016).

<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>



# 04 Contact details

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

[www.mazars.co.uk](http://www.mazars.co.uk)

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**TITLE OF REPORT: Oversight of Management Processes 2015/16**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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**Purpose of the Report**

- 1 This report details how the Audit and Standards Committee exercises oversight of management processes in certain areas of governance in order to provide assurance to the external auditors.

**Background**

- 2 The external auditor is required by auditing standards to develop a good understanding of the Council's management processes. This is a requirement as part of their work in respect of auditing the Council's financial statements and value for money conclusion.

**Oversight of Management Processes**

- 3 The areas of governance under consideration, together with an explanation of how oversight is exercised by the Audit and Standards Committee is detailed in Appendix A.

**Recommendation**

- 4 The Committee is asked to consider the evidence in Appendix A and any other areas that members have knowledge of arising from their Council duties and agree that on this basis an effective level of oversight is in place.

<b>Contact name: David Johnson Ext 3711</b>
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Oversight of Management Processes 2015/16 – Response to External Auditor

Question	Response
<p><b>What processes are in place to:</b></p>	
<p>• Undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?</p>	<ul style="list-style-type: none"> <li>• The effectiveness of controls and management of risks within key financial systems, such as general ledger, payroll, creditors and debtors, remains a core part of the Internal Audit Plan and are included in the plan annually. Based on the 2015/16 plan, key systems were allocated 2,070 productive hours which represents 24% of the planned hours for Gateshead’s Groups and Services. Audits completed in 2015/16:               <ul style="list-style-type: none"> <li>○ Capital programme – Operating Well</li> <li>○ Business Rates and Council Tax – Satisfactory</li> <li>○ AGS Assurances – Operating Well</li> <li>○ Corporate Creditors – Significant Weakness (compliance with controls rather than lack of controls)</li>   <li>○ Treasury Management – Operating Well</li> <li>○ VAT Arrangements – Satisfactory</li> <li>○ Risk Management and Business Continuity – Satisfactory</li> <li>○ Housing Revenue Account – Operating Well</li> <li>○ Council Tax and Housing Benefit – Operating Well</li> </ul> </li> <li>• Managers Assurance Statements first line of defense</li> <li>• Revenue and Capital budget monitoring</li> <li>• Multiple review process within closedown timetable and year-end working papers</li> <li>• Analytical review process</li> </ul>

<ul style="list-style-type: none"> <li>• Identify and respond to the risk of fraud?</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Audit Plan includes allocation for proactive fraud work and reactive investigations</li> <li>• Quarterly update to Audit and Standards Committee on fraud and irregularity investigations</li> <li>• Self-assessment against CIPFA Counter Fraud and Corruption Toolkit</li> <li>• Report to Audit and Standards Committee on outcome of CIPFA Counter Fraud and Corruption Tracker</li> <li>• Internal audit of key financial systems</li> <li>• Chief Internal Auditor attendance on training for Implementing the CIPFA Counter Fraud Code</li> <li>• Service Directors Assurance Statements</li> <li>• National Fraud Initiative (NFI) data matching</li> <li>• Fraud Response Plan</li> <li>• Proactive approach e.g. Single Person Discount use of Datatank</li> <li>• Whistleblowing Policy</li> </ul>
<ul style="list-style-type: none"> <li>• Communicate to employees the Council's views on business practice and ethical behavior (for example by updating, communicating and monitoring against relevant codes of conduct)?</li> </ul>	<ul style="list-style-type: none"> <li>• Employee induction</li> <li>• Regular employee and team briefings</li> <li>• Regular Management and Supervision meetings</li> <li>• Employee Appraisal and Development including corporate values</li> <li>• Employees' Code of Conduct (incorporated into employees' contracts of employment)</li> <li>• Protocol on Councillor / Officer Relations</li> <li>• Employee handbook</li> <li>• KnowledgeNet (source of training and development materials)</li> </ul>

	<ul style="list-style-type: none"> <li>• Corporate bulletins to raise awareness</li> </ul>
<ul style="list-style-type: none"> <li>• Communicate to the Audit and Standards Committee the processes for identifying and responding to fraud or error?</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Audit Plan includes allocation for proactive fraud work and reactive investigations</li> <li>• Quarterly update to Audit and Standards Committee on fraud and irregularity investigations</li> <li>• Self-assessment against CIPFA Counter Fraud and Corruption Toolkit</li> <li>• Report to Audit and Standards Committee on outcome of CIPFA Counter Fraud and Corruption Tracker</li> <li>• Internal audit of key financial systems</li> <li>• Service Directors Assurance Statements</li> <li>• National Fraud Initiative (NFI) data matching</li> <li>• Fraud awareness bulletins (to schools)</li> <li>• Attendance at North East Fraud Forum</li> </ul>
<ul style="list-style-type: none"> <li>• How do management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2015/16?</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution to and compliance with internal assurance processes ie             <ul style="list-style-type: none"> <li>○ Service assurance assessment</li> <li>○ Local Code of Governance</li> <li>○ Monitoring Officer’s Assurance on the Effectiveness of Internal Control Statement 2015/16 (signed 19-04-16). No significant internal control issues during the financial year 2015/16 that have resulted in:                 <ul style="list-style-type: none"> <li>▪ A need to take formal reporting action;</li> <li>▪ A need for a full investigation relating to a member’s conduct;</li> <li>▪ Significant damage to the reputation of the Council; or</li> <li>▪ An inability by the Council to meet its lawful</li> </ul> </li> </ul> </li> </ul>

objectives.

- Annual Governance Statement

- Officers are required, when preparing reports, to consult the Strategic Directors of Corporate Services and Governance and Corporate Resources on the legal and financial implications of reports (Gateshead Council – Local Code of Governance – “develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based”. - Protocol 3 – Report Formats and Preparing Reports).
- Annual ( at least ) review of the Constitution which takes into account legislative changes
- The Council’s Financial Regulations, which are part of the Council’s Constitution, provide the framework for managing the Council’s financial affairs.

#### **13.04 Functions of the Chief Finance Officer**

By law, the Strategic Director, Corporate Resources as Chief Finance Officer, will have the following responsibilities:

##### **(a) Ensuring lawfulness and financial prudence of decision-making**

After consulting with the Head of Paid Service and the Monitoring Officer, the Chief Finance Officer will report to the council or the executive in relation to an executive function, and



the Council's external auditor, if he or she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.

- Legal officers fully trained in accordance with continuing professional development principles, and able to 'horizon scan' through:
  - Legal section subscribe to Westlaw UK, an on-line legislation and research resource including updates
  - Legal section membership of Lawyers in Local Government, a national group (with links to the Law Society) which provides training and special interest groups ( two led by Gateshead lawyers ) along with a topical discussion forum
  - Regular training is provided through the North East legal services framework arrangements
  - All solicitors receive Solicitors' Gazette weekly
  
- Legal officer in attendance at main meetings of the Council including Full Council, Cabinet, OSCs and statutory committees eg Planning, Licensing and Regulatory
  
- Government correspondence on new legislation automatically passed from Chief Executive's office to Monitoring Officer and Deputy Monitoring Officer
  
- Guidance issued to all Directors when new legislation requires changes to Council procedures

	<ul style="list-style-type: none"> <li>Monitoring Officer and Deputy Monitoring Officer are both qualified and experienced solicitors.</li> </ul>
<ul style="list-style-type: none"> <li>Are there any actual or potential litigation or claims that would affect the financial statements?</li> </ul>	Legal staff provide annual (and where required ongoing) updates on litigation and claims which impact on the Contingent Liabilities statement in any given year. These are currently up to date.
<ul style="list-style-type: none"> <li>What controls are in place to: identify; authorise, approve, account for; and disclose related party transactions and relationships? For any related parties please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year ended 31 March 2016?</li> </ul>	Guidance issued to all Councillors and Strategic Directors and requirement for signed declarations. Evidence will be available as part of the 2015-16 working papers
<b>Questions in relation to fraud: (Appendix 1)</b>	<b>Response</b>
<p>1. Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2015 – 31 March 2016 (if 'yes', please provide details)?</p>	<p>Yes, there were eleven fraud investigations completed during 2015/16, these are as follows:</p> <ul style="list-style-type: none"> <li>Procurement Fraud: 1 investigations</li> <li>Payroll and employee contract fraud: 3 investigations</li> <li>Theft of equipment, cash or data: 5 investigations</li> <li>Other: 2 investigations</li> </ul> <p>Of the eleven investigations, 6 related to employees, and 5 to other parties.</p> <p>Further details are provided in quarterly reports to Audit and Standards Committee</p>

2. Do you suspect fraud may be occurring within the organisation?	Whilst we cannot provide 100% assurance that fraud is not occurring within the Council all reasonable steps and controls are in place, reviewed and any suspicions investigated to reduce the risk of any fraudulent activity.
3. Have you identified any specific fraud risks within the Council?	No, although the main fraud risk areas for local authorities are highlighted in the CIPFA's Counter Fraud and Corruption Tracker, including a Gateshead specific report. CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption Guidance toolkit self-assessment has been used to prepare an action plan. These will be used as the focus for proactive counter fraud work with time allocated in the 2016/17 audit plan.
4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	Yes, controls in place include e.g. <ul style="list-style-type: none"> <li>• Internal Audit assurance, in particular annual key systems audits</li> <li>• Service Directors Assurance Statement</li> <li>• Functionality of systems, including Agresso and online banking</li> </ul>
5. If not where are the risk areas?	
6. How do you encourage staff to report their concerns about fraud?	Employees are made aware of their roles and responsibilities with regards to reporting any suspected frauds and the Council policies regarding anti-fraud and corruption are made available to all employees via the intranet. Link to documents on Council website and Intranet, including the Council's Whistleblowing Policy
7. What concerns about fraud are staff expected to report?	Employees are expected to report any concerns regarding suspected fraud, details of which are provided in the employee guidance regarding anti-fraud and corruption. Specific policies include: <ul style="list-style-type: none"> <li>• Whistleblowing policy</li> <li>• Code of Conduct</li> <li>• Counter fraud and corruption</li> <li>• Statement on Prevention of Bribery</li> </ul>

8. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No, see signed declarations and Related Party Transaction note in Statement of Accounts (by exception) and working papers
9. How do you mitigate the risks associated with fraud related to related party relationships and transactions?	<ul style="list-style-type: none"> <li>• All Members and Senior Officers complete related parties disclosures annually.</li> <li>• Register of Interests</li> <li>• Internal Audit declarations of Independence</li> </ul>
10. Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	Given the size and complexity of transactions reflected in the Council's accounting records there is always the potential for error or false accounting that could escape detection. However, internal controls and assurance on their effectiveness provides reasonable, but not absolute, assurance that any such error would not be material.
11. Are there particular balances in the accounts where fraud is more likely to occur?	Yes, those areas highlighted in the CIPFA Counter Fraud and Corruption Tracker
12. Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No. Items are only excluded on the grounds of materiality. Reliance on 3 <sup>rd</sup> party data e.g. Actuarial calculations for pensions
13. Could a false accounting entry escape detection? If so, how?	All reasonable checks are put in place to prevent a false accounting entry and to aid detection of any e.g. monthly budget monitoring
14. Are there any external fraud risk factors, such as collection of revenues?	Yes, however internal controls such as employee awareness and segregation of duties reduce the risk of a fraudulent activity succeeding. NFI data matches investigated and proactive approach in respect of Single Person Discount using Datatank
15. Are you aware of any organisational or management pressure to meet financial or operating targets?	All services are expected to manage their budgets and performance targets within the challenging financial environment whilst continuing to maintain high standards of service delivery with reduced resources.

16. Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No
17. What arrangements has the Council put in place in response to the Bribery Act 2010?	Employee anti-fraud and corruption guidance has been updated to reflect the Bribery Act 2010, this is made available to all employees via the intranet. A Bribery Act 2010 training module has been updated, an a request for all employees to complete the training module was included within the Counter Fraud bulletin.

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**20 JUNE 2016**

**TITLE OF REPORT: Members' Assurance Statements 2015/16**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

### **Purpose of the Report**

1. To inform the Committee of the opinion of Members of the Cabinet on the effectiveness of the Council's governance arrangements to feed into the Annual Governance Statement.

### **Background**

- 2 The Audit Committee agreed on 1 February 2016 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from Members of the Cabinet on the effectiveness of the Council's governance arrangements are fundamental within the framework.

### **Governance Framework**

- 3 The Council agreed at its meeting of 26 April 2007 a Code of Corporate Governance based on the CIPFA/SOLACE guidance "Delivering good governance in local government". The guidance and the Code are based on six principles of governance.
  - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
  - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
  - Developing the capacity and capability of members and officers to be effective.
  - Engaging with local people and other stakeholders to ensure robust public accountability.

- 4 The Council's governance framework ensures that these principles are fully integrated in the conduct of the Council's business as well as establishing a means of demonstrating compliance.
- 5 The Council's Constitution sets out the role of the Cabinet as follows:
  - To lead change and make recommendations for change to the Council, in consultation with a range of stakeholders;
  - To ensure that the Council's priorities within the policy framework and budget are implemented, making decisions within that framework where appropriate;
  - To monitor the implementation of the budget and policy framework through taking a lead role on Best Value and through co-ordination with the Overview and Scrutiny role;
  - To provide a public face on specific issues.
- 6 Assurance was sought from Members who served in the Cabinet during 2015/16, in the form of a self assessment statement, on the effectiveness they felt could be placed on the Council's corporate governance arrangements, as outlined in the Code.
- 7 Statements of Assurance were provided by all Members of the Cabinet, excluding the Leader who signs the overall Annual Governance Statement. Cabinet Members considered evidence of the Council's governance arrangements against each of the six principles detailed above, in preparation of the statements. All Cabinet Members considered that governance arrangements are effective.

### **Overall Opinion**

- 8 Based on the evidence identified in the assurance statements from Members of the Cabinet and the arrangements for the oversight of key management processes, governance arrangements are considered to be effective.

### **Recommendation**

- 9 The Committee is asked to note the assurances of Members of Cabinet and the evidence on oversight and endorse the opinion that the Council's governance arrangements are effective.

<b>Contact name: David Johnson Ext. 3711</b>
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**20 JUNE 2016**



**TITLE OF REPORT: Managers' Assurance Statements 2015/16**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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## **Purpose of the Report**

1. To inform the Committee of the assurance which Service Directors have placed on their control systems to feed into the Annual Governance Statement.

## **Background**

- 2 The Accounts and Audit Regulations 2015 require Authorities to produce an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness.
- 3 The Audit and Standards Committee agreed on 1 February 2016 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from senior managers on the effectiveness of controls they have in place are fundamental within the framework.
- 4 Service Directors were asked to complete self-assessments which took the form of a questionnaire covering the processes in place to manage their key control and governance processes. This included a requirement to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance in 17 key areas, with a requirement to detail the evidence to support their assessment.
- 5 The process demonstrates four aspects:
  - **Identify** – what do we want assurance on?
  - **Assess** – what are the sources of assurance?
  - **Review** – how is assurance validated?
  - **Act** – what are the opportunities to improve?

- 6 Where managers agreed that they had in place effective controls they could still identify further system enhancements where considered appropriate.
- 7 If managers felt that they did not have sufficient evidence to agree with a statement they were required to identify actions for improvement, which would strengthen systems in place to an effective level.

### **Overall Opinion**

- 8 Based on evidence arising from the self-assessments for 2015/16, managers agreed that necessary controls were in place, in key processes, to allow them to achieve their service objectives and therefore the objectives of the Council.
- 9 All assessments issued have been returned detailing satisfactory evidence. A summary of returns is attached at Appendix A showing each process being assessed. The most common area of improvement identified by managers were in respect of updating business continuity plans as a result of the changes to service structures and functions.
- 10 An audit of managers' assurances for 2014/15 has been progressed during the year and an update was reported to the Audit and Standards Committee on 5 October 2015 as part of the Internal Audit quarterly monitoring report. This work found the assurances provided by managers were robust and supported by appropriate evidence.
- 11 Internal Audit has time in the 2016/17 audit plan to review the evidence and actions identified by managers on their assurance statements, including any actions managers have identified to enhance controls.

### **Recommendation**

- 12 The Committee is asked to note the assurances provided by senior managers.

Contact name: David Johnson Ext. 3711
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Area Of Assurance	Number That Agreed / Disagree That Effective Controls Are In Place
1. Controls are in place to ensure employees are aware and comply with legal requirements, the Council's Constitution and corporate policies.	All 22 managers agreed that effective controls are in place
<p>2. A clear up to date business plan is in place which should:</p> <ul style="list-style-type: none"> <li>• Include Service objectives and priorities with demonstrable links to the Council's overall objectives.</li> <li>• Include demonstrable links to agreed revenue and capital resources, which clearly link to the agreed budget, Medium Term Financial Strategy and Change Programme.</li> <li>• Include information on business continuity arrangements such as workforce strategy and asset management.</li> <li>• Consider, assess and monitor all strategic and operational risks relating to the Service.</li> <li>• Be reviewed on an annual basis to measure progress against objectives and relevant performance targets.</li> </ul>	<p>20 managers agreed that effective controls are in place</p> <p>2 managers agreed partial compliance and identified actions for further improvement including aligning business plans with the Council Plan</p>
3. There are effective data quality and performance management processes with accurate and adequate performance information generated. These are reported on a timely basis, with appropriate action taken to address performance issues.	<p>19 managers agreed that effective controls are in place</p> <p>3 managers agreed partial compliance and identified actions for further improvement in publishing performance data to reduce duplication and incorporate new responsibilities</p>
4. There are well defined reporting arrangements to Councillors and senior management, including a clear reporting structure with adequate, accurate and timely information being provided, to ensure that decisions are taken with reference to relevant information and data.	All 22 managers agreed that effective controls are in place
5. Management and staffing structures are clearly defined and responsibilities including job descriptions are clearly established. There is a competent and adequately trained workforce to deliver the objectives and priorities of the Service, including up to date A&D reviews for all employees, effective management of succession planning and retention/recruitment of appropriate skills.	All 22 managers agreed that effective controls are in place

Area Of Assurance	Number That Agreed / Disagree That Effective Controls Are In Place
<p>6. All Partnership Arrangements:</p> <ul style="list-style-type: none"> <li>• Have clearly defined, written and agreed governance arrangements in place.</li> <li>• Have clear objectives and priorities. Are regularly monitored for effectiveness, and to ensure financial and non-financial performance is being achieved.</li> <li>• Has evaluated and documented risks to the partnership and the Council.</li> <li>• Has a clear exit strategy in place.</li> </ul>	<p>All 22 managers agreed that effective controls are in place</p>
<p>7. Standards of conduct within the Service are in accordance with corporate codes and policies. Controls are in place to deter, prevent, detect, and reduce the risk of fraud and corruption (including bribery), such as employee training/awareness sessions.</p> <p>Employees are fully aware of the Council's Counter-Fraud and Whistleblowing Policy and all suspected frauds and financial irregularities are referred to Internal Audit.</p> <p>All employees promote the values of the Council and uphold high standards of conduct and behavior.</p>	<p>All 22 managers agreed that effective controls are in place</p>
<p>8. There are effective financial planning and budgetary control procedures in place and these support the principles outlined in the Medium Term Financial Strategy and clearly link to the Business Plan and agreed Savings targets.</p>	<p>All 22 managers agreed that effective controls are in place</p>
<p>9. Financial Regulations are understood and complied with by all employees who ensure:</p> <ul style="list-style-type: none"> <li>• All expenditure transactions are properly recorded and authorised in Agresso, particularly in regard to confirmation orders, timely payment of invoices and non-order invoices.</li> <li>• All income is promptly collected and banked; ensuring fees and charges have been applied at the approved rate.</li> <li>• All assets are recorded and protected from loss.</li> </ul>	<p>21 managers agreed that effective controls are in place</p> <p>1 manager agreed partial compliance and identified the number of non-order invoicing being raised as an area for improvement</p>
<p>10. The Service can demonstrate that the effective application of the Council's Commissioning Framework has resulted in the delivery of improved outcomes, the achievement of value for money and that, where this has been delivered via a procurement process, compliance with the Council's Contract Procedure Rules can be evidenced.</p>	<p>All 22 managers agreed that effective controls are in place</p>

Area Of Assurance	Number That Agreed / Disagree That Effective Controls Are In Place
<p>11. Trading opportunities have been considered in accordance with Governance Framework for Decision Making on Traded Activities.</p>	<p>19 managers agreed that effective controls are in place</p> <p>1 manager agreed partial compliance and 1 manager disagreed. Opportunities to increase training are being explored and will be developed once new structures are embedded.</p> <p>1 manager stated this question was not applicable to their service.</p>
<p>12. ICT systems used by the Service are secure and operate satisfactorily for their purpose.</p> <p>Employees are fully aware of information security and adhere to Council policy.</p>	<p>All 22 managers agreed that effective controls are in place</p>
<p>13. There are effective business continuity arrangements in place which are reviewed and tested on a regular basis.</p> <p>There are effective plans in place to manage change and ensure business continuity during any transition period.</p>	<p>18 managers agreed that effective controls are in place</p> <p>4 managers agreed partial compliance and identified actions for further improvement including updates to Business Continuity Plans and testing of the revised Business Continuity Plans.</p>
<p>14. Recommendations from relevant external Inspectorates and Internal Audit reports are monitored by management and are implemented by the agreed date.</p>	<p>All 22 managers agreed that effective controls are in place</p>
<p>15. Decisions are taken with due regard to all:</p> <ul style="list-style-type: none"> <li>• Financial implications</li> <li>• Human Resource implications</li> <li>• Property Implications</li> <li>• Risk Management implications</li> <li>• Equality and Diversity implications</li> <li>• Crime and Disorder implications</li> <li>• Health implications</li> <li>• Sustainability implications</li> <li>• Human Rights implications</li> <li>• Area and Ward implications</li> <li>• Consultation, communication and engagement</li> </ul> <p>The risks of not achieving milestones associated with the Change Programme have been identified and are being managed.</p>	<p>All 22 managers agreed that effective controls are in place</p>

Area Of Assurance	Number That Agreed / Disagree That Effective Controls Are In Place
<p>16. There is effective management of risk within the Service including the effective identification, recording, control and ongoing monitoring of risks associated with the achievement of Service objectives, with appropriate oversight by Group Management Teams.</p> <p>This includes the different internal and external sources of assurance of these risks and any gaps in assurance provision.</p> <p>Strategic risks are also regularly reviewed to ensure they remain valid and support the achievement of Vision 2030 and the Council Plan.</p>	<p>All 22 managers agreed that effective controls are in place</p>
<p>17. The Service has identified its sources and flows of information including rights of access.</p> <p>Threats and risks to information assets owned by the Service have been assessed and recorded with corresponding action plans for reducing risks where appropriate.</p>	<p>All 22 managers agreed that effective controls are in place</p>

**TITLE OF REPORT: Review of the Effectiveness of  
Internal Audit 2015/16**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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**Purpose of the Report**

1. To ask the Committee to review the effectiveness of internal audit within the Council for 2015/16.

**Background**

- 2 The Accounts and Audit Regulations 2015 require all authorities to “conduct an annual review of the effectiveness of internal audit and for a committee of the body to consider its findings” and that this process should be part of the annual review of the effectiveness of the system of internal control, which results in the production of the Annual Governance Statement. Best practice highlights that “internal audit”, in this context, includes not only the Internal Audit Service but also the Audit and Standards Committee in 2015/16.
- 3 The review ensures that the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report, included as a separate report on this agenda, can be relied upon as a key source of evidence in the Annual Governance Statement.
- 4 The Strategic Director, Corporate Resources has delegated responsibility to maintain an adequate internal audit of the Council’s financial affairs as required by Section 151 of the Local Government Act 1972.
- 5 The review of the effectiveness of the system of Internal Audit for 2015/16 has been undertaken by the Council’s Internal Control Group, which includes the Strategic Directors of Corporate Resources and Corporate Services and Governance. This review is based upon the following: -
  - Self-assessment against Public Sector Internal Audit Standards (PSIAS).
  - Self-assessment against the CIPFA Statement on the Role of the Head of Internal Audit.
  - Reliance placed upon Internal Audit by the Council’s external auditor.
  - Assessment of the effectiveness of the Audit and Standards Committee.
  - Relevant performance information.

## **Self-assessment against PSIAS**

- 6 For the year ended 31 March 2016 the Internal Audit Service has been assessed against current Internal Audit practices and compliance with professional standards. This assessment was undertaken by external audit. During 2014/15, the Internal Audit Service was assessed against current Internal Audit practices and compliance with professional standards as set out in PSIAS by external auditors, Mazars.
- 7 The standards have 4 areas as detailed below:
- Definition of Internal Auditing
  - Code of Ethics
  - Attribute Standards
  - Performance Standards
- 8 As previously reported to Audit and Standards Committee on 26 January 2015, the outcome of the assessment was positive and found that the Internal Audit Service is substantially compliant with the standards in all significant aspects and that there are no areas of concern that the Internal Audit Service is unable to form a judgement as to the proper and effective working of the system of internal control.
- 9 A number of minor recommendations were made following the external assessment and the Chief Internal Auditor has undertaken a self-assessment during 2015/16 against the recommendations the outcome of this is shown at Appendix A.

## **Self-Assessment against the CIPFA Statement on the Role of the Head of Internal Audit**

- 10 This assessment requires an evaluation of how the five principles of this statement are embedded within the Council and the Chief Internal Auditor's skills and personal experience. The statement has common themes with the PSIAS. The self-assessment found arrangements to be compliant with the statement and a copy is attached at Appendix B.

## **Reliance Placed Upon Internal Audit by the Council's External Auditor**

- 11 A joint working protocol is in place between Internal Audit and the Council's external auditor, Mazars. Wherever possible the external auditor will seek to rely upon the work of Internal Audit in discharging their own responsibilities. During 2014/15 Mazars did not place specific reliance on any of Internal Audit's work but through regular monthly meetings work has been co-ordinated wherever possible and intelligence shared.

## **Assessment of the Effectiveness of the Audit and Standards Committee**

- 12 CIPFA's guidance "Audit Committees – Practical Guidance for Local Authorities (2013)" includes a checklist for measuring the effectiveness of the Council's Audit and Standards Committee. This assesses in more detail some of the areas examined in the assessment against PSIAS.



- 13 A review, based on this guidance, was carried out by the Council's Internal Control Group on 18 May 2016. This covered the following areas:
- Purpose and Governance
  - Functions of the Committee
  - Membership and Support
  - Effectiveness of the Committee
- 14 Evidence includes the Constitution and the Audit and Standards Committee's overseeing of risk management, counter-fraud arrangements and the Annual Governance Statement. This review found the Audit and Standards Committee to be operating effectively with some minor areas for action. A copy of the assessment is attached at Appendix C.

### **Performance Information**

- 15 Performance monitoring of the work carried out by the Internal Audit Service provides further assurance that the system of Internal Audit is operating effectively and adding value to the Council as a whole. During 2015/16 The following key performance indicators are relevant:
- 91.3% of audits were completed within budgeted time against a target of 90%.
  - 83% of the total number of planned audits for the year have been completed against an annual target of 90%.
  - Productive or chargeable time was recorded at 71% of overall time against an annual target of 70% of overall time.
  - Twenty one customer satisfaction questionnaires have been issued in the period, of which 15 have been returned, 2 are overdue. Of the 15 customer satisfaction questionnaires returned, 14 recorded satisfaction at 100% against a target range of 97.5 – 99%. However, one respondent scored satisfaction at 58% and further work will be undertaken to establish what the issues were with the specific audit and why it was felt that the audit didn't add value.
  - The target for implementation of audit recommendations is 90%. The current rate of implementation of all recommendation is 97%, with 97% of all medium priority and 96% of all high priority recommendations having been implemented.
- 16 As previously reported to the Audit and Standards Committee on 5 October 2015, benchmarking continues to highlight the Internal Audit Service as being low cost with high productivity in comparison with other local authorities. The net cost per chargeable day for Gateshead Council was £286 compared to an average of £324, with 182 chargeable days compared to an average of 179 days demonstrating that the Council is receiving value for money from its Internal Audit Service.

### **Opinion of the Effectiveness of Internal Audit**

- 17 Based on the review detailed above the Council's Internal Control Group concluded that the Council's System of Internal Audit is operating effectively.

## **Recommendations**

- 18 The Committee is asked to consider and endorse the opinion that the Council's system of internal audit is operating effectively.

**Contact name: David Johnson Ext. 3711**

## Public Sector Internal Audit Standards

### Self-assessment Review to Support Annual Governance Framework 2015/16

**1. Recommendation: The Charter should be updated to reflect the cross-reference to the constitution.**

Updated and agreed by Audit and Standards Committee 05 October 2015.

**2. Recommendation: The Charter should make it more explicit in relation to the unconditional requirements of the standards.**

Updated (para 5.3.1)

**3. Recommendation: The Charter is not formally presented to senior management although they are fully aware of it.**

Refresh of charter presented to SMG Services and Performance 28 October 2015

**4. Recommendation: Consider taking a more detailed risk based plan to the Audit Committee.**

Complete, Audit Plan 2016/17 provides detail of each audit area in the plan rather than just hours against each Strategic Group. Agreed by Audit & Standards Committee 25-04-16

**5. Recommendation: Consider including the Chief Executive in the performance appraisal of the Chief Internal Auditor.**

To be considered as part of the next A&D of CIA

**6. Recommendation: Consider feedback from the chair of the Audit and Standards Committee for the Chief Internal Auditor's performance appraisal.**

To be considered as part of the next A&D of CIA

**7. Recommendation: Agree 'Terms of Reference' and report to the next Audit Committee where there have been significant additional consulting services agreed during the year that were not already included in the audit plan.**

Approach to Advisory audits now included in 2016/17 plan

**8. Recommendation: Continue to develop skills in contract auditing and computer assisted audit techniques.**

Initial approach to Strategic Director, Corporate Commissioning and Procurement to consider approach in relation to contract auditing. Additional IT resources available from joint working arrangement with Newcastle

**9. Recommendation: Encourage services to return all questionnaires.**

Questionnaire now sent out by CIA with final report. Performance statistics to be updated to reflect number of respondents. Quarterly GMT reports to include statistics on number of returns.

**10. Recommendation: Continue to develop the combined assurance model.**

Identified in the Audit Plan and Strategy as an area to develop in line with three lines of defence approach

**11. Recommendation: A memorandum of understanding should be developed to reflect the current arrangements with health bodies.**

Initial meeting with Director of Audit from Newcastle/Gateshead CCG

**12. Recommendation: Has the Chief Internal Auditor developed and implemented retention requirements for all types of engagement records? This should be included in the updated Local Audit Manual.**

To be included as part of the refresh but will be in line with retention requirements for Corporate Resources

**13. Recommendation: Action is required to ensure that Internal**

Audit recommendations are implemented more promptly and accountability increased for non-implementation of recommendations – particularly in schools where performance is significantly below target.

- Revised approach reported to SMG Services and Performance 18 March 2015
- Revised approach agreed by Audit & Standards Committee 20 April 2015
- Internal Audit Charter refresh in October 2015 changed management response from “reasonable timescale” to “by agreed date”
- Monthly reports are now produced and shared with Business Partners
- Performance against the target of 90% has seen a significant improvement.
- Performance against “high” and “medium” recommendations is now reported separately.
- Additional information to be added to committee reports to show “due date” for those recommendations not yet due

**APPENDIX 4 – 2015-16 Self-Assessment Against the CIPFA  
Role of the Head of Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation:</b> Governance Requirements	<b>The Role:</b> Core HIA Responsibilities	<b>The Individual:</b> Personal Skills/ Professional Standards
<b>1</b>	The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments	<p>CIA's role in the organisation's governance is set out in the Audit Charter which comply with PSIAS. The ToR establishes:</p> <p>The responsibility &amp; objectives of IA;</p> <ul style="list-style-type: none"> <li>• Organisational independence;</li> <li>• Accountability &amp; reporting lines;</li> <li>• The contribution made by the CIA to the internal control environment (including an assessment of its effectiveness) which in turn contributes to the Annual Governance Statement;</li> <li>• The access to all records, assets, personnel premises;</li> <li>• The requirement of the HIA to provide an annual audit opinion on the internal control environment.</li> </ul>	<p>CIA helps promote good governance through an annual risk based audit programme, quarterly progress reports to the Audit and Standards Committee and an annual audit opinion report. CIA leads an Internal Audit section which contributes to major projects, both on an ongoing or an ad-hoc basis, through a programme of proactive systems development and project work through agreed consultancy arrangements.</p> <p>Role of the Internal Audit Service are defined in the scope of the Audit Charter which is reviewed annually</p>	<p>The Internal Audit Strategy is reviewed by the CIA annually and revised as necessary to reflect any prevailing risks to client organisations.</p> <p>CIA undertakes consultation exercises with Senior Management Teams to feed into annual plan.</p> <p>CIA regularly identifies and disseminates 'best practice' through audit provision across several clients both in and outside of the public sector.</p>
<b>2</b>	The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.	<p>Established through the Audit Charter the CIA has clear lines of responsibility to the Strategic Director, Corporate Resources and the Audit and Standards Committee.</p> <p>CIA produces an annual Audit Strategy and Plan which is approved by the Audit and Standards Committee.</p> <p>Protocols that define IA working relationships are also set out in Financial Regulations.</p>	<p>CIA produces an Annual Audit Opinion Report which gives assurance to the Council on the effectiveness of the system of internal control.</p> <p>CIA liaises regularly with those discharged with the organisation's external audit responsibilities. CIA ensures that audit work is not driven by priorities of EA. As a minimum 'managed audit' requirement CIA ensures that audits of the key financial systems are performed on an annual</p>	<p>CIA reports both in detail or in summary on all principal audit findings and control / system weaknesses to the Audit and Standards Committee (or equivalent) without interference or influence from the Council or auditees.</p> <p>All audit findings are evaluated and assessed against the risk to the organisation.</p> <p>CIA ensures that recommendations</p>

**APPENDIX 4 – 2015-16 Self-Assessment Against the CIPFA  
Role of the Head of Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
			<p>basis.</p> <p>CIA produces an Internal Audit Strategy which is reviewed annually to reflect the organisation's key risks. The strategy and plan are flexible, supportive, challenging, prioritised and timely which ensures the plan maintains focus on emerging risks.</p> <p>Risk based Audit Plan developed in consultation with all Service Directors</p> <p>The annual audit planning process is aligned (as closely as possible) to the corporate / departmental / divisional risks. To place reliance on the risk registers the CIA must regularly evaluate and assess the organisation's risk maturity and risk appetite.</p> <p>CIA liaises regularly and where necessary with other external bodies including those with inspection/assurance responsibilities such as CQC, External Auditor, Home Office &amp; HMIC.</p>	<p>presented are realistic, pragmatic and risk based with a focus on added value.</p> <p>CIA ensures that all high and medium recommendations are followed up on a regular and timely basis and that the progress in actioning these is reported regularly to the Audit and Standards Committee. Approach to recommendations amended and reported to Audit and Standards Committee 20 April 2015.</p>
<b>3</b>	<p>The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and</p>	<p>Internal Audit Charter outlines terms of reference and management structure.</p> <p>CIA line managed by Deputy Strategic Director, Corporate Resources but with direct line of reporting to Strategic Director, Corporate Resources and Chief Executive.</p>	<p>CIA liaises and consults with key Council stakeholders in, both, revising the annual audit strategy and in the drafting of the annual audit plan for each organisation.</p> <p>CIA provided with an unfettered opportunity to escalate any significant concerns through reports or direct</p>	<p>CIA has developed and maintained effective professional working relationships with a range of internal &amp; external stakeholders.</p> <p>CIA attends and reports to each organisation's Audit Committee.</p>

**APPENDIX 4 – 2015-16 Self-Assessment Against the CIPFA  
Role of the Head of Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

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	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
	with the Audit Committee.	<p>CIA has clear lines of responsibility and reporting to the Audit and Standards Committee.</p> <p>The CIA has access to the senior management/leadership teams within the Council as required.</p> <p>As established within the Audit Charter the CIA leads an audit function which has unrestricted access to all people, systems and records within the organisation including, where applicable, access rights under significant partnership arrangements.</p>	<p>submissions to the Audit and Standards Committee, through senior management teams.</p>	<p>CIA ensures that all audit plans are flexible in nature and reflect the developing needs and emerging risks facing the Council.</p> <p>CIA networks both internally and externally.</p>
4	<p>The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.</p>	<p>All internal auditors are fully or partially qualified (CCAB &amp; AAT) or are currently undergoing professional training.</p> <p>Monthly local performance targets produced which are reported into Audit Committees.</p> <p>Client Questionnaire are circulated electronically which are incorporated into the CIA's quality control function.</p> <p>Plan is developed on risk based approach prior to looking at resource implications.</p> <p>The service has undergone external assessment against PSIAS and was</p>	<p>CIA ensures that the IA service is resourced to be fit for purpose through:</p> <ul style="list-style-type: none"> <li>• Training support to undertake professional qualifications;</li> <li>• On the job/in-house training (e.g. Risk Management);</li> <li>• Regular A&amp;D's and client surveys which are used to identify training and development needs;</li> <li>• Reviewed job profiles to ensure all staff responsibilities are clearly defined and recognised.</li> <li>• Internal Audit Development Plan.</li> </ul> <p>CIA regularly attends conferences, courses and other networking opportunities (e.g. Police Auditors Group, TWHIAG), keeping up to date with recent</p>	<p>Internal Audit strategies comply with PSIAS.</p> <p>Annual planning involves extensive consultation with all stakeholders, including Committee members and senior managers.</p> <p>Client questionnaires are circulated electronically for feedback in relation to audits performed. These aim to enhance customer focus.</p> <p>Innovative arrangements to manage skills gaps i.e. Newcastle IT audit arrangement.</p> <p>Works in partnership where appropriate with other audit providers e.g.</p>

**APPENDIX 4 – 2015-16 Self-Assessment Against the CIPFA  
Role of the Head of Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
		assessed as substantially compliant	audit developments and current best practice in the public sector.  Internal Audit always represented in recruitment process for Corporate Finance	Newcastle Council IT auditor
5	The HIA in a public service organisation must be professionally qualified and suitably experienced.	<p>- CIA has 33 years local authority experience and has been CIPFA qualified for 16 years.</p> <p>The core responsibilities of the CIA role are clearly defined in the job profile, the Internal Audit Charter and the respective Financial Regulations.</p> <p>CIA has the appropriate experienced and qualified resources (see above) within the audit section to fulfil the audit provision across the current client base.</p>		<p>CIA is CIPFA qualified and takes personal responsibility for continuous professional development (CPD) in accordance with institute requirements.</p> <p>CIA manages an Internal Audit Section which operates according to PSIAS and has been externally assessed as substantially compliant.</p> <p>CIA has 33 years experience in the Council.</p> <p>CIA is an affiliate member of the Chartered Institute of Internal Auditors</p>



## Audit and Standards Committee - Self-Assessment of Good Practice 2015-16

<u>Audit committee purpose and governance</u>	YES	PARTLY	NO	Comments
1 Does the authority have a dedicated audit committee?	YES			Merged with Standards Committee reported to Cabinet 13 May 2014
2 Does the audit committee report directly to full council?	YES			Report to Cabinet 15 September 2015
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	YES			Set out in Constitution
4 Is the role and purpose of the audit committee understood and accepted across the authority?	YES			Some minor areas in relation to independence from executive and attendance at committee by Chief Executive
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	YES			
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	YES			Annual report to Cabinet outlining activity during previous year
<u>Functions of the committee</u>	YES	PARTLY	NO	
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
<input checked="" type="checkbox"/> good governance	YES			
<input checked="" type="checkbox"/> assurance framework	YES			
<input checked="" type="checkbox"/> internal audit	YES			
<input checked="" type="checkbox"/> external audit	YES			
<input checked="" type="checkbox"/> financial reporting	YES			Statement of Accounts now reviewed by Audit & Standards Committee prior to Accounts Committee
<input checked="" type="checkbox"/> risk management	YES			
<input checked="" type="checkbox"/> value for money or best value	YES			
<input checked="" type="checkbox"/> counter-fraud and corruption.	YES			
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	YES			Evidenced by this self-assessment and annual report to Cabinet
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		Partially		Now merged with Standards Committee. Treasury Management Strategy and six-month progress reported
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	YES			Subject to minor areas in question 4
11 Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	YES			
<u>Membership and support</u>	YES	PARTLY	NO	
12 Has an effective audit committee structure and composition of the committee been selected? This should include:				
<input checked="" type="checkbox"/> separation from the executive	YES			Chair and Vice Chair non-Cabinet members. Two Cabinet members serve on the Audit & Standards Committee but the Council welcomes this as a balance between separation and the inclusion and awareness of the Committee's activities by the Executive
<input checked="" type="checkbox"/> an appropriate mix of knowledge and skills among the membership	YES			Committee membership to consider skills audit to identify training gaps
<input checked="" type="checkbox"/> a size of committee that is not unwieldy	YES			
<input checked="" type="checkbox"/> where independent members are used, that they have been appointed using an appropriate process.	YES			See Cabinet report 13 May 2014
13 Does the chair of the committee have appropriate knowledge and skills?	YES			
14 Are arrangements in place to support the committee with briefings and training?		Partly		Committee members asked to consider training requirements. Committee resource pack to be developed by CIA. Skills analysis to identify training gaps
15 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			No	Assessment needs to be undertaken in line with members Personal Development Plans (PDP's)
16 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	YES			
17 Is adequate secretariat and administrative support to the committee provided?	YES			
<u>Effectiveness of the committee</u>	YES	PARTLY	NO	
18 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	YES			Not proactively sought but mechanism exists through annual report to Cabinet
19 Has the committee evaluated whether and how it is adding value to the organisation?	YES			As above
20 Does the committee have an action plan to improve any areas of weakness?			No	To be developed in line with PDP's

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**20 JUNE 2016**

**TITLE OF REPORT: Corporate Risk Management – Annual Report 2015/16**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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### **Purpose of the Report**

1. The assurance derived from risk management forms part of the evidence to inform the Annual Governance Statement. This report makes the Committee aware of the arrangements that exist within the Council for managing risk, the impact that these have had and plans for further development of risk management arrangements.
2. The Committee is asked to receive the Corporate Risk Management Annual Report for 2015/16 and agree the adequacy of the Council's risk management arrangements contained therein.

### **Background**

3. Robust risk management arrangements are a key element of a sound system of internal control and therefore essential to the Council being able to demonstrate that it has good systems of corporate governance. It also provides evidence to inform the Annual Governance Statement, which is reviewed annually and accompanies the Statement of Accounts.
4. Quarterly reports to the Audit and Standards Committee have updated on progress throughout 2015/16.

### **Proposal**

5. The report recommends that the Committee consider the Corporate Risk Management Report for 2015/16 attached at Appendix 1 as the basis for assessing the effectiveness of risk management arrangements. The report outlines the prevailing arrangements that exist within the Council for managing risk, the impact that these have had on the Council's operations and plans for further development of risk management arrangements.

### **Recommendations**

6. It is recommended that the Committee note the Corporate Risk Management Annual Report 2015/16 as shown in Appendix 1 and agree that the Council has effective risk management arrangements in place.
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## CORPORATE RISK MANAGEMENT

### ANNUAL REPORT 2015/16

#### Background

1. Risk management is “the identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objectives of an organisation.”
2. Risk management enables the Council to effectively manage strategic decision making, service planning and delivery both to safeguard the well being of its stakeholders and increase the likelihood of achieving objectives. The aim is to manage risks that cannot be economically eliminated or transferred.
3. Effective risk management, which is integrated into policies and procedures, is an essential element of a sound internal control system and therefore necessary if the Council is able to demonstrate that it has good systems of Corporate Governance. It also provides evidence to inform the Annual Governance Statement, which is reviewed annually and accompanies the Statement of Accounts.

#### Current Position

4. The structures and processes, which are employed within the Council to manage risk, are described below.
5. The Chief Executive and Strategy Group are pivotal in the embedding of risk management by promoting a culture of risk management being practised throughout the organisation as an integral part of normal activities and fostering the sharing of best practice between Groups and Services.
6. Under the Council’s Constitution, (Financial Regulation 16.1), the Strategic Director, Corporate Resources, in consultation with the Chief Executive is responsible for advising the Council on risk management and is therefore responsible for the development, monitoring and review of the Council’s Risk Management Policy.
7. Strategic and Service Directors who have ownership for the management of operational risks which impact on their Service(s), are required to incorporate risk management principles into the service planning process and ensure that the risk management process is embedded in all operations, major projects, partnership working, arrangements with key suppliers and change management initiatives.
8. All managers are required to understand risk and its potential impact on the achievement of the Council’s targets and objectives and be able to anticipate, assess and manage risks that relate to their areas of responsibility.

9. The Deputy Strategic Director, Corporate Finance provides both strategic support to the Strategic Director, Corporate Resources on risk management issues and operational guidance to the Risk Management Section, which fulfils the role of the Corporate Risk Management function in the delivery of Corporate Risk Management objectives.
10. The role of the Corporate Risk Management function is to:
  - Formulate strategies to manage the corporate risk process;
  - Develop, implement, monitor and review an action plan to minimise corporate strategic risks;
  - Support and develop Service Risk Management Co-ordinators through the Corporate Risk and Resilience Group;
  - Co-ordinate risk management and business continuity planning activity through the Corporate Risk and Resilience Group;
  - Review Service risk management action plans for relevance and consistency;
  - Monitor implementation of Service risk management plans;
  - Report to the Audit and Standards Committee, and
  - Co-ordinate risk management activity, ensuring that it is joined up with business continuity management, emergency and resilience planning.
11. The Management Team, an integral part of the Council's Corporate Resources Group, both co-ordinates risk management activity and delivers technical support, advice, guidance and training to all Groups and Services either directly or via Service Risk Management Co-ordinators.
12. Each Group has a Risk Co-ordinator. The role of the Group Risk Co-ordinator is to act as a risk management champion within the Group, providing guidance and support to service managers in the administration of risk management activities in addition to acting as the channel of communication between the Corporate Risk Management function and the Group Management Team.
13. The principal forum for risk management development is the Corporate Risk and Resilience Group, which consists of Central Risk Management, Group Risk Co-ordinators and a representative of the Council's Emergency and Resilience Planning, ICT and Health and Safety functions.
14. The role of the Corporate Risk and Resilience Group is to:
  - Support the embedding, maintenance and development of risk management and business continuity planning within the Council;
  - Focus on the management of operational risks and in doing so, play a key role in ensuring that the Council meets the requirements of corporate governance reporting;
  - Supporting Strategy Group in the identification, assessment and management of strategic risks;
  - Identify patterns and share good practice in the management of operational risks between Groups and Services;
  - Support the delivery of the Resilience Action Plan; and
  - Provide a forum for consideration of all risk-based issues and be a vehicle for disseminating all related policy, operational and administrative matters.

15. The Council's Internal Audit Service assists in the risk management process by reviewing risk management systems and verifying compliance by Services direct to the Strategic Director, Corporate Resources and the Audit and Standards Committee. In addition, risks are identified in the execution of the annual audit plan, which are fed in to the relevant risk action plans.
16. The above structure is set out in diagrammatical form at Appendix 2.

### **Major Developments in 2015/16**

17. The work of the Council's Corporate Risk and Resilience Group has supported the annual review of the Operational Risk Register, which may be used to inform the development of Business Plans. In addition the Group has facilitated the quarterly reviews of the Strategic Risk Register.
18. The fulfilment of the Council's responsibilities under the Civil Contingencies Act 2004, requires that the organisation has a sound business continuity planning framework at the heart of which, is the Business Continuity Planning Policy approved by Council in October 2008. The policy was reviewed during 2012/13 and approved by Cabinet in June 2013.
19. The Council's Strategic Risk Register approved by Cabinet on 29 March 2011, which is used as a platform to identify and manage the risks to achieving key objectives was introduced as the basis for regular reporting to the Audit and Standards Committee on strategic risks. The Strategic Risk Register was reviewed during 2012/13 and reported to Cabinet in May 2013. The register has been subsequently reviewed quarterly and reported to the Audit and Standards Committee on this basis. The current Strategic Risk Register is attached for information at Appendix 3.
20. The year has also seen the continuation of active councillor engagement around risk management, building on the framework introduced in 2006/07 and embedded in the Council's Corporate Risk Management Policy. Councillor John Hamilton has continued in his role as Councillor Risk Champion supporting the Leader of the Council. The Audit and Standards Committee have received quarterly risk management reports and risk management training is available for councillors.
21. These measures have ensured councillor participation and understanding of risk management issues and in so doing, enabled both challenge to the risk management implications of reports for decision making and scrutiny of the Council's risk management framework.
22. The Corporate Risk and Resilience Group has continued to receive updates on Emergency Planning issues which allows a joined-up approach to risk management and resilience planning and acts as a conduit for reporting to Group Management Teams on related issues.
23. Corporate Risk Management staff have continued to participate in the Public Risk Management Association (ALARM) activities, in addition to benchmarking locally with other Tyne and Wear Authorities through the Tyne

and Wear Risk Management Group and on a national basis through the ALARM/CIPFA Risk Management Benchmarking Club.

### **How well has the Council managed Risk?**

24. The overall risk management structure which is reviewed annually, as outlined in paragraphs 4 to 16 and shown at Appendix 2, provides a joined-up approach to the identification, assessment, mitigation and management of the numerous risks, which could threaten the achievement of the Council's policy objectives.
25. Progress has been made against the risk management developmental objectives for 2015/16 identified in the Corporate Risk Management Annual Report 2014/15 as shown at Appendix 4.
26. The Council has in place a formalised ISO 22301 compliant business continuity framework to mitigate key risks for all services and a Corporate Continuity Plan, which can facilitate the prioritisation of action in response to a large scale event without inhibiting any response to Emergency Response Arrangements should the event be related to a civil emergency. This supports the Council's resilience planning to meet the requirements of the Civil Contingences Act 2004.
27. The Council suffered no major service interruptions in 2015/16 which further demonstrates how corporate risk management arrangements support service delivery.
28. The Council participates in the ALARM/CIPFA Risk Management Benchmarking Club and uses the outcome of the performance assessment to further develop risk management performance and enable comparison with other public sector organisations.
29. Membership of the club provides access to a performance measurement tool designed to test the organisation's performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of the Annual Governance Statement. The model breaks down risk management activity into seven strands, (leadership and management, policy and strategy, people, partnership and resources, processes, risk handling and assurance and outcomes and delivery) and aims to provide an in-depth picture of the maturity of risk management within the organisation.
30. Scores of levels 1 to 5 are awarded for each strand to identify the level of maturity that the organisation has reached with level 5 being the highest possible score. The categories are as follows:-
  - 1 Engaging
  - 2 Happening
  - 3 Working
  - 4 Embedded and Integrated
  - 5 Driving



31. The benchmarking results for Gateshead over the seven strands were as follows:-
- |                               |   |                         |
|-------------------------------|---|-------------------------|
| • Leadership and Management   | 4 | Embedded and Integrated |
| • Policy and Strategy         | 4 | Embedded and Integrated |
| • Partnership and Resources   | 5 | Driving                 |
| • People                      | 4 | Embedded and Integrated |
| • Processes                   | 3 | Working                 |
| • Risk Handling and Assurance | 4 | Embedded and Integrated |
| • Outcomes and Delivery       | 3 | Working                 |
32. Overall the Council achieved good scores for each of the seven strands, with the scores the same as the previous year.

### **Further Developments 2016/17**

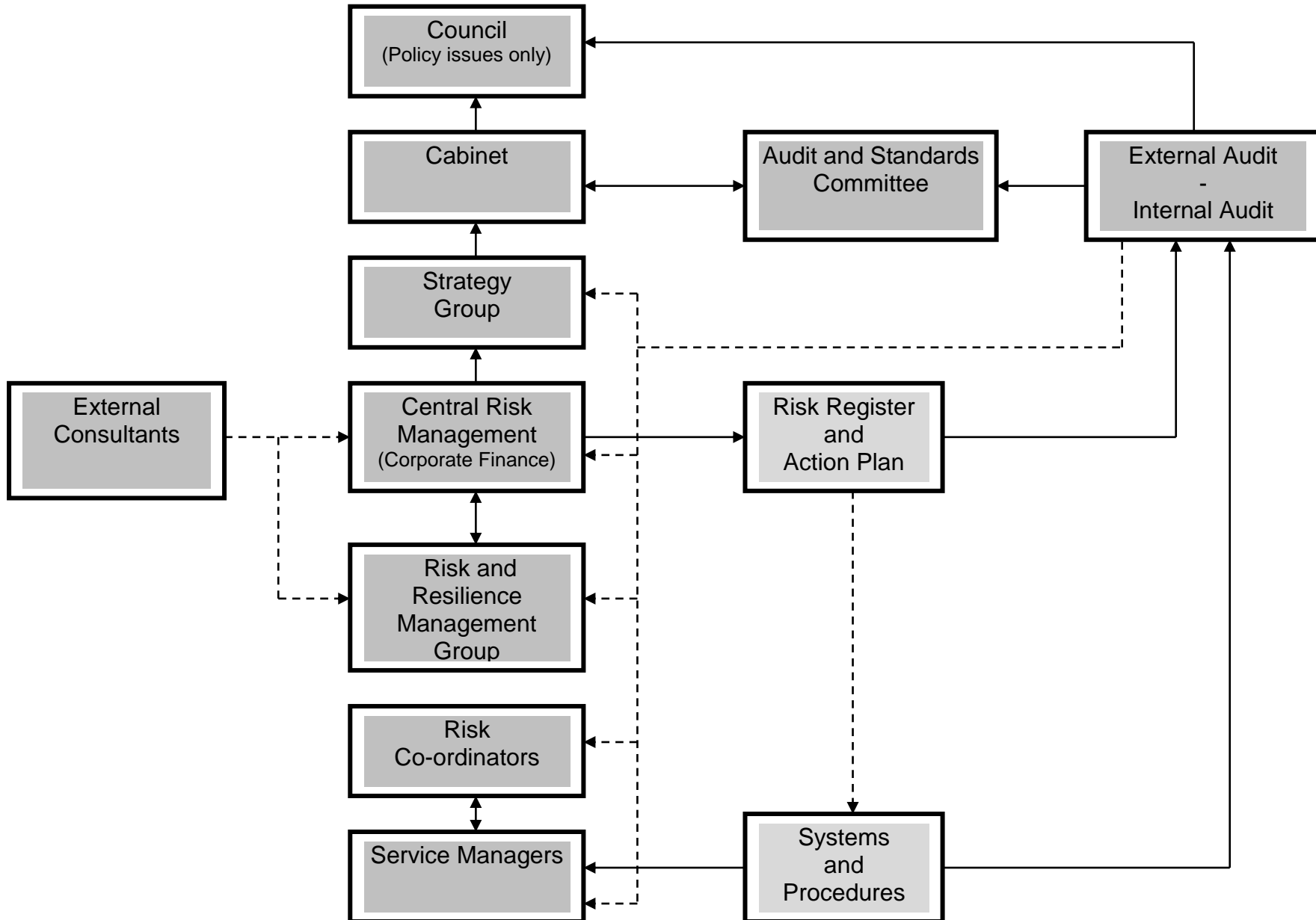
33. The proposed developmental objectives are attached at Appendix 5 for consideration.

### **Conclusion**

34. This report outlines the arrangements for managing risk within the Council, their effectiveness and the steps, which are being taken to ensure continuous improvement of the function and minimisation of loss.
35. On the basis of these arrangements and evidence of their operation it can be concluded that arrangements for managing risk within the Council are effective.

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# GATESHEAD COUNCIL Corporate Risk Management Structure



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## GATESHEAD COUNCIL STRATEGIC RISK REGISTER

Strategic risks are events that could impact upon the Council's ability to achieve the objectives of the corporate plan and the longer term objectives of Vision 2030. They include significant events that could impact upon on the infrastructure and efficient operation of the Council.

The Council Plan 2012-2017 will focus on the following priorities:

- 1 Meeting the needs of Gateshead residents and reducing inequality.
- 2 Delivering our long term strategy, Vision 2030.
- 3 Delivering our ambition of sustainable economic growth and well being.
- 4 Focusing on our 'have to do', statutory functions (strategic, democratic, safety).

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
1	Reduction in local government finance	Government formula is partly influenced by factors such as size of population and areas of deprivation. Static or falling population within Gateshead and rural/urban mix may lead to unfavourable settlements. The March 2014 budget identified that resources to the local government budget were to be reduced from £16.6bn in 2013/14 to £13.8bn in 2014/15 and £12.1bn in 2015/16. The Chancellor also indicated that further cuts to public services of around £25bn were to be expected and these were likely to include additional cuts to councils. Central Government commitments to eliminating the budget deficit and to reducing the overall levels of public debt would indicate at least four more years of significant reductions in government grant. The Council will need to take into account local economic growth assumptions, potential future business growth and demand for council tax support when assessing future funding levels.	Strategic Director, Corporate Resources	4	4	RED 16	<p>1) Implementation of Medium Term Financial Strategy.</p> <p>2) Effective financial and business planning process in place.</p> <p>3) Lobbying of central government through various bodies e.g. ANEC, SIGOMA, LGA etc</p> <p>4) Actions to achieve Vision 2030 targets on population growth.</p> <p>5) Exit strategies for priority initiatives and significant partnerships contained within service plans.</p> <p>6) Transformation programme to transform the way we deliver services to ensure council services are efficient and effective.</p>	<p>Strategic Director, Corporate Resources</p> <p>Service Directors</p> <p>Asst Chief Executive</p> <p>Asst Chief Executive</p> <p>Strategic Director, Corporate Resources</p> <p>Asst Chief Executive</p>	4	2	RED 8	<p>1) Explore implications of Localism Agenda.</p> <p>2) Tighter monitoring of business rate collection and increased forecasting/modelling to manage risk and plan ahead for worst case scenarios.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources.</p>
2	Uncertainty over availability of capital finance to support key priorities.	Several major capital and regeneration projects require external funding to support the plans.	Strategic Director, Corporate Resources	4 External funding falling off due to economic recession and change in regional policy. Also own funding pressure has increased.	3	RED 12	<p>1) Explore new funding mechanisms</p> <p>2) Ability of Gateshead to demonstrate success with previous projects helps to secure external partners and external funding (building on reputation).</p> <p>3) Proactive engagement with potential public and private sector partners.</p> <p>4) Engagement of specialist consultants to advise and assist with projects.</p> <p>5) Scale down expectations of external funding.</p> <p>6) Make propositions more attractive to funders, which may include considering alternative models of project delivery and the level of match funding.</p> <p>7) MTFS includes target external funding levels and confirmed external funding levels to assist with the development of the Capital Programme.</p> <p>8) Do not commit to projects until firm commitment to funding.</p>	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Strategic Director, Corporate Resources</p> <p>Relevant Strategic Director</p>	3 May influence likelihood through more effective / appropriate bidding, lobbying, etc.	3 Unable to reduce impact	RED 9	<p>1) Add external funding regime update as standard agenda item for capital monitoring meetings.</p> <p>2) Explore implications of Localism Agenda.</p> <p>3) Strategic Investment Plan including Capital Programme</p>	<p>Relevant Strategic Director</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>
3	Clawback of grant funding for previous projects due to failure to meet grant conditions / targets.	Gateshead Council is the accountable body for a number of prestige projects e.g. The Baltic. If grant conditions not met the Council could be liable to repay the funding body.	Strategic Director, Corporate Resources	4	4 Potential for clawback in excess of £10 million if grant conditions not met.	RED 16	<p>1) Financial control measures for projects are in place and implemented (including the requirement for Finance to consider and approve any accountable body requests).</p> <p>2) Project Management, data retention and monitoring processes are in place and implemented.</p> <p>3) An earmarked reserve is set aside within the Med. Term Financial Strategy for grant clawback and is reviewed on an annual basis.</p> <p>4) Internal Audit activity.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Relevant Strategic Director</p>	2	3	AMBER 6	<p>1) Asset Management Plan</p> <p>2) Issue External Funding Protocol to clarify External Funding processes</p> <p>3) Central register of external funding</p> <p>4) Agresso asset register module to record details of external funding for each asset</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
4	Reduced financial resource due to higher than anticipated costs from implementation of the Council's workforce transformation strategy and residual equal pay claims.	As part of the workforce transformation strategy a voluntary redundancy exercise has been implemented the eventual cost of which has yet to be determined. The Workforce Transformation strategy has been successfully implemented, through phases of voluntary and compulsory redundancy and other operational changes to save employment costs. Further redundancies are likely to be required in future years. Residual costs of Equal pay are being managed.	Strategic Director, Corporate Services and Governance	4	2	RED 8	1) Reserves set aside within Medium Term Financial Strategy. 2) Proactive HR strategy to issues. 3) Capitalisation, use of reserves for management of workforce to produce savings.	Strategic Director, Corporate Resources.  Strategic Director, Corporate Services and Governance.  Strategic Director, Corporate Resources	2	2	AMBER 4		
5	Failure or delay in the transformation programme impacting on ability to deliver necessary scale of budget savings & long term planning.	•The Programme fails to have clear strategic buy in, commitment and drive from the top, through to all levels of management	Strategy Group	3	4	RED 12	• Strategy Group is utilised as a programme board. Regular update and progress reports to allow timely decision making	Strategy Group	2	3	AMBER 6		
		<ul style="list-style-type: none"> <li>• The governance structure does not facilitate timely decision making at the appropriate level of the organisation using sound evidence / information, which impacts on the ownership, accountability, pace and deliverability of the overall programme</li> <li>• The programme structure does not manage the aggregation of risks and issues from within individual projects (which may result in a greater cumulative impact on the council)</li> <li>• The programme structure does not effectively manage links and interdependencies across the 5 transformation projects and other related work, resulting in sub-optimal benefits, double counting of savings and duplication of effort</li> <li>• Failure to correctly assess ability to adhere to statutory duties and legislative requirements</li> <li>• Failure to correctly assess the governance of any new delivery models and potential legal action and service failure</li> <li>• Delays leading to non achievement of key milestones, leading to short term decision making and an unsustainable budget position</li> <li>• Poor resource planning and scheduling of activities</li> <li>• Ineffectives stakeholder engagement – focusing on residents, partners and suppliers as well as employees, councillors and trade unions leading to service failure, reputational damage, breach of legislation</li> </ul>	Strategy Group	3	4	RED 12	<ul style="list-style-type: none"> <li>• Risk log to be managed by each board and consideration as a whole by transformation team on a regular basis</li> <li>• Weekly team meeting to discuss activities within each area .Contact established across a network of key service areas to ensure areas of activity are acknowledged and fed into boards to ensure alignment</li> <li>• Each board has a mixture of expertise including legal, HR, policy, ICT and finance as well as Service specific which will ensure the ability to meet current stautory and legislative requirements in any new arrangements will continue</li> <li>• Specific professional advice will be sought at the appropriate point to assess any new arrangements that may be set up</li> <li>• The programme is managed through Strategy Group and the Chief Executive allowing the drive and pace to be set from the most senior officers</li> <li>• Key Milestones and project planning managed effectively by designated project managers</li> <li>• Implement effective Communication and Engagement Plan for the transformation programme in a timely manner.</li> </ul>	Margaret Whellans	2	3	AMBER 6		
6	Failure to maintain or improve positive direction of travel in new environment of less centralised regulation.	Gateshead has a reputation as a Council that performs well. Failure to demonstrate continuous improvement could seriously damage the reputation and good standing of the Council.	Asst Chief Executive	4	3	RED 12	1) Policy planning and redesigned performance management framework. 2) Improvement plans including actions from assessment and inspection recommendations. 3) GSP protocol performance management framework and improvement plan. 4) Peer reviews and self assessment approaches.	Service Director, Communications, Policy and Improvement  Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement Service Director, Communications, Policy and Improvement	2 All targets may be achieved but direction of travel subjective to performance of other Councils.	2 Has potential to attract adverse local media coverage.	AMBER 4	1) Regional approach to Sector Led Improvement 2) Refocussed Fit for Future programme	Service Director, Policy, Transformations and Communications Asst Chief Executive

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
7	Reduction in scope to recruit and retain sufficient numbers of skilled staff in key areas.	The Council currently has a recruitment freeze in force which means that only posts which are required in order for the Council to meet a statutory duty or are frontline and critical to service delivery can be appointed to. In light of the budget savings required, the Council is also managing a large scale voluntary redundancy exercise. In considering applications for VR managers need to balance budgets savings targets and future service delivery. A new Workforce Strategy and Workforce Plan will be developed as part of the HR Business Plan. This will include analysis of the workforce demography and identify any skills gaps. A Learning & Development Plan has been drafted in consultation with GMTs and delivery is being prioritised to match identified needs.	Strategic Director, Corporate Services and Governance	3	4	RED 12	1) Reputation as a Council performing well attracts quality staff. 2) Reputation of the Council for financial stability helps to attract and retain staff. 3) Workforce Development Plan 4) Enhanced learning and development strategy plan. 5) Improved employment terms and conditions. 6) Improved profile of Gateshead as an area where people wish to live and work (Vision 2030).	Asst Chief Executive  Strategic Director, Corporate Resources  Strategic Director, Corporate Services and Governance  Strategic Director, Corporate Services and Governance  Asst Chief Executive.	2	2	AMBER 4		Service Director, Human Resources and Organisational Development
8	Continued sickness absence levels significantly in excess of national average.	Gateshead Council consistently records sickness absence levels in the bottom quartile of public sector bodies. Occupational Stress being the most frequent cause. A range of measures have been put in place with some progress made, outcomes are in need of improvement. Continued absence at this level could significantly impact on core priorities and CSR efficiency targets. The Council's latest sickness figures are increasing, over 9 days on average. Stress action plans are in place, and the Council is performing well against the HSE Work Related Stress Management Standards.	Strategic Director, Corporate Services and Governance	4 In lowest quartile	3	RED 12	1) Improvement plan developed following overview and scrutiny review. 2) Improvement plan following Audit Commission review. 3) Sickness levels monitored 6 monthly within Council Plan (as a strategic indicator). 4) HR Initiatives aimed at reducing sickness level, by reprioritising their work to pick up on long-term cases. 5) ICT reporting tool 6) Regular sickness reports to SMG (Performance and Services).	Strategic Director, Legal & Corporate Services  Strategic Director, Legal & Corporate Services  Service Directors  Service Directors Service Directors	3	2	AMBER 6	1) Have a Workforce and Organisational Change workstream under Fit for Future that will ensure alignment of the Council's human resources with its future business direction and will include the development of a new workforce plan	Service Director, Human Resources and Organisational Development
9	New approach to commission and deliver services through neighbourhood working fails to provide improved services.	Neighbourhood and area working has been developed in some Council services, in support of area partnership working arrangements with partners. Some partners may not be able to commit to this model of working in future years due to budget pressures.	Strategic Director, Corporate Resources (Chair of Area Chief Executives Rep Group)	4	3 Has potential to attract adverse comment / criticism from external bodies	RED 12	1) Commissioning Plan, 2) Responsibilities for Area Portfolios assigned within cabinet. 3) Responsibilities for area working clearly assigned throughout senior management structure. 4) Area Conferences in place to develop effective partner engagement at area level. 5) Neighbourhood priorities developed. 6) Neighbourhood training and development programme. 7) Planned reviews of effective neighbourhood working. 8) Provision of intelligence through the analysis of data at appropriate spatial levels	Asst Chief Executive  Asst Chief Executive  Strategic Director, Communities and Environment Strategic Director with responsibility for area. Strategic Director with responsibility for area. Strategic Director, Communities and Environment Strategic Director, Communities and Environment Service Director, Policy, Transformation and Communications	2	2 Would result in some reputational issues	AMBER 4	1) Application and delivery of the Commissioning Plan. 2) Developing capacity of communities and the voluntary sector 3) Review of neighbourhood services	Asst Chief Executive  Service Director, Culture, Communities & Volunteering Strategic Director Communities and Environment

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
10	Failure of Gateshead Council and neighbouring authorities to respond to changing national policy agenda.	Effective working relationships with other authorities in the North East is essential to address common and shared issues.	Chief Executive	3	3 Non-collaboration can cause problems in some policy areas	RED 9	1) Gateshead / Newcastle partnership GNP. 2) Significant Gateshead/ Newcastle joint initiatives 3) Work of the North East LEP and Combined Authority (governance). 4) Active senior level engagement in several regional and national forums. 5) General proactive approach to engagement in joint projects with neighbouring authorities. 6) North East Strategic Economic Plan March 2014 including North East Growth Deal 7) Regional City Deal	Asst Chief Executive  Asst Chief Executive  Asst Chief Executive  Asst Chief Executive  Asst Chief Executive	2	2	AMBER 4		Asst Chief Executive
11	Greater/ less than anticipated demand on key services resulting from demographic changes within Gateshead.	<p>Demographic intelligence currently indicate that the number of the very elderly and elderly within the Borough will continue to increase at a much greater rate than the working age population (which is only increasing due to the incremental changes in the retirement age). The number of births has stabilised and started to decrease again after a few years of growth. Policies and strategies are in place to promote economic and (working age) population growth. Efficient service delivery will need to take account of demographic changes and the ability to accurately forecast changes and future economic conditions. Increase in unemployment arising from the slow recovery from economic recession is an additional factor, together with the impact of welfare reform.</p> <p>The number of school age children has generally been on a declining trend, though an increase in the birth rate has halted this trend in recent years and small increases have been recorded and are expected to continue in the medium term. The number of births has stabilised and started to decrease again with the longer term trend for school age children declining again in the future. Efficient service delivery will rely on the accuracy of projections and also the success of several of the core priorities in meeting these needs and reversing trends. Increase in unemployment and worklessness arising from the economic recession is an additional factor, as is the impact of welfare reform.</p> <p>There has been a steady increase in the number of Looked After Children in the Borough since 2009/10, which reflects the national trend. We currently have 378 LAC in November 2012 compared to 316 at the end of March 2010, putting significant pressure on resources. There has been a significant rise in the number of more expensive Out of Borough and Independent Fostering Agency placements being used due to in-house placements being at capacity. Overall numbers of children being referred into the system have also significantly increased, leading to operational and financial pressure on assessments, care planning and safeguarding teams.</p>	Asst Chief Executive	4	3	RED 12	1) Self assessment and external validation. 2) Development of intelligence through the JSNA and Strategic Needs Assessment 3) Business Plans and PACE review process. 4) Medium Term Financial Strategy. 5) Initiatives working toward attainment of key 2030 targets. 6) Primary and Secondary School reviews. 7) Asset Management Plan. 8) Intelligent commissioning and needs assessment. 9) Fostering training - CBS/Learning and Children action plans 10) Monthly case by case review of Out of Borough placements 11) Payments for skills to focus resources on recruitment and training of in-house carers to increase capacity	Relevant Strategic Director Service Director, Policy, Transformation and Communications Service Directors Strategic Director, Corporate Resources. Asst Chief Executive  Strategic Director, Care, Wellbeing and Learning  Strategic Director, Communities and Environment Service Directors  Strategic Directors, Care, Wellbeing and Learning  Strategic Directors, Care, Wellbeing and Learning  Service Directors, Care, Wellbeing and Learning	2	3	AMBER 6		



Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
12	Major incident (accident, natural hazard or act of terrorism) affecting the safety, health, welfare, security or prosperity of the people of Gateshead.	A large number of external events could impact on the people of Gateshead ranging from flood, winter storms to pandemic flu. The Community Risk Register will identify in more detail the most significant risks.	Strategic Director, Communities and Environment	2	4 Potential for total disruption to key functions.	RED 8	<p>1) Single and Multi Agency Emergency plans and response arrangements in place and regularly exercised and tested to ensure preparedness to respond and recover</p> <p>2) Geographical approach to the Response arrangements to ensure an effective response in specific geographical areas</p> <p>3) Membership and active involvement with the Gateshead and Multi Agency Resilience and Emergency Planning Group.</p> <p>4) Membership and active involvement with Northumbria Local Resilience Forum, Executive Board, Business Management Group and Theme Groups.</p> <p>5) Involvement in CONTEST (Counter Terrorism) Agenda through the Strategic CONTEST Board and the Prevent Protect and Prepare Group (PPP)</p>	<p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p>	2	3	AMBER 6	<p>1) Implementation on Resilience Strategy and key priorities</p> <p>2) Further testing of the Council's emergency response and recovery arrangements in "Norland" multi-agency exercise in 2014.</p> <p>3) Further testing of the Council's emergency response and recover arrangements in strategic exercises 2014/15</p> <p>4) Continued involvement with the Gateshead Severe Weather Resilience Planning Group.</p>	<p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p> <p>Strategic Director, Communities and Environment and relevant Service Directors</p>
13	Major incident/ business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services (as a result of the need to respond to major incident and/or loss/damage to Council Infrastructure).	As with all organisations the Council faces exposure to a number of external and internal events that could impact on the availability of the resources needed to perform its critical functions. Such events range from pandemic flu affecting availability of staff to the loss of the civic centre due to fire or explosion, to major IT failure.	Strategic Director, Corporate Resources	2	4 Potential for total disruption to key functions.	RED 8	<p>1) Business Continuity plans in place and regularly tested.</p> <p>2) Testing of plans to ensure no conflict between BCPs and the Emergency Response Plans and arrangements</p> <p>3) Training of key personnel in business continuity management.</p> <p>4) Awareness raising of BCPs to all staff.</p>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources and Strategic Director, Communities and Environment and all Service Directors</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources and all Service Directors</p>	2	3	AMBER 6	<p>1) Further testing of the Council's emergency response and recovery arrangements via strategic exercises in 2014/15</p>	<p>Strategic Director, Corporate Resources and Strategic Director, Communities and Environment and all Service Directors</p>
14	Failure to understand and plan to mitigate the impact of the climate change on the Borough.	More frequent severe weather events will impact on the people of Gateshead ranging from flood, winter storms, heatwaves etc. Changing seasons and weather patterns may affect many services in their design and delivery which may have a serious effect on residents and businesses in their activities. The Community Risk Register will identify in more detail the most significant risks.	Strategic Director, Communities and Environment	4	3	RED 12	<p>1) Single and Multi Agency Emergency plans and response arrangements in place and regularly exercised and tested to ensure preparedness to respond and recover</p> <p>2) Membership and active involvement with Gateshead Multi Agency Resilience and Emergency Planning Group</p> <p>3) Membership and active involvement with Northumbria Local Resilience Forum, Executive Board, Business Management Group and Theme Groups</p>	<p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Communities and Environment</p> <p>Strategic Director, Care, Communities and Environment</p>	4	2	RED 8		

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk {Before Controls}	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk {After Controls}	Proposed / Further controls	Responsibility for proposed controls
15	Catastrophic failure in directly provided and commissioned service delivery.	Failure to protect children, young people and vulnerable adults could place individuals at risk of significant harm. It could also result in compensation claims against the Council, judicial review processes, poor inspection outcomes and reputational risk. Protecting vulnerable adults and securing the welfare of children and young people are key priorities of the Council Plan.	Strategic Director Care, Wellbeing and Learning and Asst Chief Executive.	4	4	RED 16	<ol style="list-style-type: none"> <li>1) Local Safeguarding Children Board</li> <li>2) OSC monitoring of CQC and Ofsted inspections (announced and unannounced)</li> <li>3) Corporate Health and Safety Framework – Health and Safety Management System in place which includes a revised H &amp; S Policy. The H &amp; S Strategy is under review and will go to the Corporate H &amp; S Committee as part of the consultation process. Reporting on H &amp; S issues is embedded in the Council with SMG receiving an annual then quarterly updates and OSC receiving an annual report.</li> <li>4) Legionella action plan. Legionella documentation sits under the Corporate H &amp; S pages on the intranet but are managed within D &amp; E</li> <li>5) Asbestos register. Asbestos documentation sits under the Corporate H &amp; S pages on the intranet but are managed within D &amp; E.</li> <li>6) Pandemic Influenza Plan sits within resilience planning.</li> <li>7) Safeguarding Adults Partnership Board</li> <li>8) Quality monitoring framework including reviews, analysis of complaints, contract compliance and decommissioning procedures in place for adult social care services</li> </ol>	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p>	2	4	RED 8	<ol style="list-style-type: none"> <li>1) Sector Led Improvement</li> <li>2) Resilience Planning</li> <li>3) Development of Communications Strategy</li> </ol>	<p>Relevant Strategic Director</p> <p>Relevant Strategic Director</p> <p>Service Director, Policy, Transformation and Communications</p>
16	Failure to understand and plan to mitigate the impact of the economic recession on the availability and sustainability of adequate financial resources to deliver objectives.	The recent worldwide recession presents a major risk to the sustainability of adequate financial resources to fund the Council's objectives. The prevailing economic climate brings with it uncertainty and risk, which can impact on financial resources in a number of ways, including:- Shortfall in forecast capital receipts from disposal of surplus assets, due to reduced demand and suppression of land values; • Potential that private sector partners in capital projects fail to raise loan finance or suffer from market failure; • Reduced returns on monies invested due to interest rate reductions arising from the lowest ever base rate;	Strategic Director, Corporate Resources	4	4	RED 16	<ol style="list-style-type: none"> <li>1) Medium Term Financial Strategy.</li> <li>2) Capital Receipts monitoring as part of the Capital Programme</li> <li>3) Treasury Management processes and system.</li> <li>4) The Treasury Management Investment Strategy, which balances the relationship between minimising risk and optimising returns on investments, is reviewed annually to ensure funds are placed in the most secure investments.</li> <li>5) Corporate Asset Management Group</li> </ol>	<p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p>	2	3	AMBER 6		
17	An increased number of schools either deciding to become academies or are forced to by the DfE.	Two broad areas of risk: 1) an increased number of academies would result in the funding for central services being reduced and if schools did not decide to buy back then there would be a greater likelihood of redundancy; 2) a lack of central services, especially in school improvement, would reduce the Council's capacity to intervene and support maintained schools that are experiencing difficulties. The DfE may become more aggressive in its approach to schools leaving Local Authority control, reducing the potential impact of any control measures.	Strategic Director Care, Wellbeing and Learning	2	3	AMBER 6	<ol style="list-style-type: none"> <li>1) Continued offer of high quality central services that delivery value of money.</li> <li>2) Maintain high quality school improvement officers that have credibility with school leaders.</li> <li>3) Maintain strong networks with schools that reinforce the links within, and the benefits of being in the Gateshead Family.</li> <li>4) Ensure that relationships are strong with Gateshead Academies and aim to be the provider of choice for "buy back" services.</li> <li>5) Ofsted Inspections</li> </ol>	<p>All Service Directors delivering services to schools</p> <p>Service Director Learning and Schools</p> <p>Service Director Learning and Schools</p> <p>All Service Directors delivering services to schools</p> <p>All Service Directors delivering services to schools</p>	2 (although lower than previously)	3	AMBER 6	1) Devise a "Gateshead Academy Trust" that redefines the council's relationship with schools	Strategic Director, Care, Wellbeing and Learning

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
18	The impact of increased demand on Council services as a result of the socioeconomic impact of the Government's Welfare Reform programme.	<p>The aims of the Welfare Reform programme are to encourage people back into work and to reduce the costs of benefit administration. These reductions will in turn be used to reduce the Government's Budget deficit.</p> <p>However the cumulative impact of the reforms on residents with low incomes could have far reaching consequences for the Council in terms of increased demand for services e.g. Adult and Children's Services, Debt Advice and Housing services.</p> <p>The two main changes in relation to housing are the following;</p> <p>Housing benefit will be paid (from the Department of Work and Pensions) directly to the tenant (as part of the new Universal Credit payment) and not to the Council as is currently the case. Universal Credit is a key feature of Welfare Reform and is a single payment for people looking for work on a low income. All payments of rents will be made by the tenant to the Council and any recovery of rent arrears in relation to tenants on housing benefit will be the responsibility of the Council. The scheme goes live nationally from October 2013 for all new claimants and is expected to be fully implemented by 2017. A Universal Credit 'Pathfinder' programme will take place in Tameside, Oldham, Wigan and Warrington from 1 April 2013 and the findings will be used to make changes (where necessary) to the new scheme. For information, currently 13,763 (69%) of Gateshead Council tenants claim Housing Benefit.</p> <p>Housing benefits claimants living in the social rented sector (which includes local authority tenants) will receive less housing benefit from the Department of Work and Pensions from 1 April 2013 if they are under occupying a Council house (i.e. deemed to have more bedrooms than they need). The changes from 1 April 2013 are for tenants of working age only (those over state pension credit age are not affected). The cut will be a fixed percentage of the housing benefit eligible rent and will be set at a reduction of 14% for one extra bedroom or 25% for two or more extra bedrooms.</p>	Asst Chief Executive Strategic Director, Corporate Resources and Strategic Director, Care, Wellbeing and Learning	4	4	RED 16	<p>1) Given the complexities and cross cutting nature of the reforms, a Welfare Reform Officer Group has been set up to co-ordinate the Gateshead response.</p> <p>2) The cumulative impact of the loss of benefit reduced household income and spending power on the economy is being modelled in order to understand the increased pressure on individuals to manage their finances. This includes a focus on the risk of financial exclusion and debt issues as well as the pressure on businesses.</p> <p>3) 30 year HRA business plan</p>	<p>Service Director, Customer and Financial Services</p> <p>Service Director, Customer and Financial Services &amp; Service Director Economic and Housing Growth</p> <p>Strategic Director, Corporate Resources</p>	3	3	RED 9	<p>1) Welfare Officer Reform Group to oversee and bring together activities, policy and strategy, recognising that many services will be involved in taking action in Gateshead.</p> <p>2) Financial Services/Corporate Finance monthly monitoring of collection fund</p> <p>3) Additional controls to be developed</p> <p>4) Digital Inclusion included as priority theme under the Gateshead Volunteering Plan. Volunteering programme will be developed to support the capacity building of publics skills and knowledge around IT.</p>	<p>Service Director, Customer and Financial Services</p> <p>Strategic Director, Corporate Resources</p> <p>Strategic Director, Corporate Resources</p> <p>Service Director, Culture, Communities and Volunteering</p>
19	Risk that the quality of care to Older People in residential and nursing care homes is compromised.	The Council has undertaken a fair cost of care process and alongside this introduced a revised Quality Excellence Framework. Cabinet approved this in June 2013. The Gateshead Independent Care Home Association Members have not signed up to the revised fees or quality framework. They have issued a pre-action protocol to Judicial Review over the decision making process. No formal proceedings have subsequently been issued to date. Those members continued to be paid a lower fee and have not been assessed as to the quality of care against the new framework.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance	2	4	RED 8	As a consequence of choice directions the Council has not taken a decision to cease making placements in the homes who have not signed up to the revised framework and fees. These homes are subject to CQC registration and part of the Council's Commissioning Inspection regime, which includes unannounced visits. There are also complaints and safeguarding processes which enable concerns about the quality of care to be raised with the Council.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance	2	3	AMBER 6	No Judicial Review proceedings issued, implementation of framework and new fees is in progress.	Strategic Directors, Care, Wellbeing and Learning, Corporate Resources, and Corporate Services and Governance

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
20	Risk of data breaches by staff, in relation to unauthorised disclosures of electronic, and paper based data and , unencrypted file transfers. this causes a risk to the Council's reputation and as well as a potential fine of up to £500,000 per data breach can lead to claims for damages from those affected.	The Council has an information security policy which clearly sets out responsibilities of staff in relation to data.	Strategic Director, Corporate Services and Governance	4	2	RED 8	The Council has a number of security measures in place to ensure that the 7th data protection principle can be met, however all data breaches so far have been down to staff not following our own policies and procedures.	Strategic Director, Corporate Services and Governance and Service Directors	2	2	AMBER 4	1) It is recommended that the SIRO and service directors reiterate with staff the need to adhere to the security policy and procedures and that firm action is taken against those who do not.	Strategic Director, Corporate Services and Governance and Service Directors
21	Risk of legal challenge arising from the Council's decision making processes examples of which are: Challenges to procurement processes; Allegations of ultra vires decisions; Allegations of inadequate consultations; Allegations that the Council has had insufficient regard to it's legal duties e.g. under equalities legislation; and Claims brought in employment tribunals.	The Council makes a myriad of decisions which can be challenged by those who are not happy with the impacts of such decisions. This takes on increasing prominence during difficult financial times when the Council may have to make decisions about reduction or cessation of services, reductions in staff and difficult or complicated procurement decisions. Getting decisions wrong can be costly in both financial and reputational terms.	Strategic Director, Corporate Services and Governance	3	3	RED 9	There are a range of controls in place including; Maintaining a properly resourced, experienced and trained legal and procurement workforce; Comprehensive quality assurance processes within legal for identifying risk; Cabinet and Council reports checked by legal officers; Training for officers and councillors on powers and probity in decision making; Access to expert advice from barristers and external solicitors if required.	Strategic Director, Corporate Services and Governance.	3	2	AMBER 6	Training for officers to be continued and developed where possible/appropriate.	Strategic Director, Corporate Services and Governance.
22	Risk of Implementation of the Gateshead Volunteers Plan, and achievement of the 4 main aims including : 1 Enable Everyone to make a recognised contribution to their community and become the volunteering capital of England, 2 Deliver economic growth and wellbeing, 3 volunteering activity adds value to local service provision, enabling neighbourhoods to have services that would not be otherwise provided and enhancing core public services, 4 increase formal volunteering from 18% to 25% by 2015, increased informal volunteering from 34% to 40% by 2017 overall 20,000 new volunteers.	The plan sets out the outcomes, deliverables, principles, functions, resources and structures, and priorities and next steps. The Council is centralising all volunteering opportunities to enable a "one door" approach to all Gateshead Volunteers, which currently does not exist. Through the implementation of the plan monitoring techniques will also enable a realistic overview of volunteer statistics within Gateshead. The implementation of the plan will improve and increase volunteering opportunities, improve publicity and marketing of opportunities, measure and evaluate and co-ordinate and support volunteering.	Service Director, Culture, Communities and Volunteering	3	3	RED 9	1) Establishment of central team dedicated to implementation of the plan.  2) Volunteering Steering Group, and Volunteering Action group established within partners to support the implementation throughout all organisations. 3) Detailed consultation of the plan throughout the Council and relevant partners. 4) Dedicated Communications and marketing plan specifically around volunteering within Gateshead. 5) Development of the Volunteers Month throughout June to promote volunteering opportunities and raise awareness. . 6) A centralised point of contact and team to co-ordinate all registered volunteers, with service area leads sitting behind the structure 7) Joined up partnership working with a range of organisations, including private, and voluntary and community sector.	Service Director, Culture, Communities and Volunteering	1	3	GREEN 3	1) Development and Implementation of the Gateshead Offer to support Capacity Building within VCS sector. Will develop standardised training packages and awareness raising information sessions 2) Development of Database to register all volunteers and provide them with tailored opportunities.	Service Director, Culture, Communities and Volunteering
23	HRA - Self Financing	Self financing for the HRA was introduced April 2012. Councils no longer receive a centrally distributed subsidy but are expected to manage housing stock within their own income streams. Part of the introduction of self-financing was the redistribution of  <u>Key risks include:</u> • Increasing R&M expenditure • Social rent policy not being able to raise rents to be in line with RSLs • Increase in number of Right To Buys resulting in lower stock base • Management of debt against income streams. High interest rates • General Fund pressures impacting on HRA • Future Capital Requirements arising from stock condition survey & others such as estate regeneration • low Demand - Increase in Voids • Welfare reform/universal credit and the impact on rent arrears • Impact of componentisation in capital depreciation and downward revaluations which are charged to the	Strategic Director, Corporate Resources	3	3	RED (9)	1) 30 year Business Plan to capture key decisions and highlight risks to senior managers  2) Financial Model to assess sensitivities and cashflows 3) Treasury Management strategy & policies in place 4) Compliance with CIPFA voluntary code & Code of Practice  5) HRA minimum balance of £3m agreed by Cabinet	Strategic Director, Corporate Resources	3	3	RED (9)	More frequent monitoring of the HRA throughout the year  Refresh model assumptions regularly	Strategic Director, Corporate Resources  Working in partnership with; TGHC  Strategic Director Communities and Environment

Risk no	Description of risk [See comment box for details]	Comment	Risk Owner	Likelihood	Impact	Gross Risk Before Controls	Current controls	Responsibility for current controls	Likelihood	Impact	Net Risk After Controls	Proposed / Further controls	Responsibility for proposed controls
24	Risk of procuring and implementing a new HR and Payroll system	The current contract ends March 2016. Timescales for procuring and implementing a new corporate system are tight. If the system is not implemented in time there are a number of risks associated with payroll and HR activity.	Strategic Directors, Corporate Resources and Corporate Services and Governance	3	3	RED 9	A project team has been established to procure and implement a new HR and Payroll system	Strategic Directors, Corporate Resources and Corporate Services and Governance	1	3	GREEN 3	Regular update reports to Strategy Group	Strategic Directors, Corporate Resources and Corporate Services and Governance
25	Risk of not implementing the required changes resulting from the Care Act 2014	The Care Act 2014 introduces a number of changes for local authorities in the way that care and support services will be delivered.  Key new features of the legislation are; • a duty to promote people's wellbeing and to prevent needs for care and support • a duty to provide an information and advice service	Strategic Director, Care Wellbeing and Learning	4	3	RED 12	A steering group has been established to monitor what requirements the new legislation will place on the Council, what the resource required will be and how the Council's services will need to be changed as a result.  DH grant to contribute towards implementation costs of the Care Act	Strategic Director, Care Wellbeing and Learning	4	2	RED 8	Steering group to continue to work through the impact of the legislation  Regular updates to Strategy Group  Use of implementation grant	Strategic Director, Care Wellbeing and Learning
26	Failure to maintain effective partnership working between the Council and its partners (ie two or more independent bodies working collectively to achieve an objective)	All councils are required to monitor how well they are governed. The council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. As part of an internal audit review of partnership working, 2 recommendations were made to ensure the council's arrangements for partnership working continue to be effective	Strategic Directors, Policy, Economic Growth & Transformation and Corporate Services & Governance	2	2	AMBER 4	1) Partnership Risk Register - Service Directors have responsibility for ensuring this register is kept up to date. The register is kept within Policy, Transformation and Communications. 2) Guide to Partnership Working - this guide has been reviewed and agreed by Strategy Group on 28 January 2015. It is available via the Gateshead Strategic Partnership website 3) Protocol on Partnership Working - updated February 2015 and available on the Council's intranet site. 4) Service Directors should ensure they complete their operational risk register as appropriate for each partnership they are responsible for.	Strategic Director, Policy, Economic Growth & Transformation Strategic Director, Corporate Services & Governance	2	2	AMBER 4	Annual Internal Audit Review. In addition, annual review of the guide and partnership risk register will be undertaken by officers in Policy, Transformation and Communications Service, with colleagues in Legal, Democratic & Property Services	Strategic Director, Policy, Economic Growth & Transformation Strategic Director, Corporate Services & Governance

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## Corporate Risk Management: Developmental Objectives 2015/16

Ref:	Objective	Target Implementation Date	Progress to date
<b>1</b>	Business Continuity Plans will be updated, enhanced and subject to testing. The focus for 2015/16 will be to ensure the Business Continuity Plans have been updated to reflect the Councils functional review and the refreshed Council Plan.	December 2015 Revised date July 2016	It was agreed that this work will be finalised after the budget is agreed in February 2016 due to the potential impact on Services and their key objectives and risks.  A report will be taken to Strategy Group.
<b>2</b>	The Strategic and Operational Risk Registers will be reviewed as an integral part of the 2016/17 to 2020/21 Business Planning Process.	December 2015 Revised date July 2016	It was agreed that this work would be finalised after the budget is agreed in February 2016 due to the potential impact on Services and their key objectives and risks.  A report will be taken to Strategy Group.
<b>3</b>	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	March 2016 Revised date July 2016	A report will be taken to Strategy Group.
<b>4</b>	The provision of further Risk Management training to Councillors and officers appropriate to their responsibilities.	July 2015	The training was delivered 27 July 2015.

Ref:	Objective	Target Implementation Date	Progress to date
5	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.	December 2015	Complete
6	Further development of the Risk Management Information System to ensure that it is fit for purpose, supports best practice and delivers value for money. The operational functionality of the system will be assessed to identify any scope for the inclusion of the Strategic Risk Register and the Community Risk Register. The system will also be updated to reflect any ongoing organisational changes.	December 2015	<p>The Community Risk Register has been integrated into the Councils Risk Managements Information System.</p> <p>All organisational changes have been incorporated into the system.</p>



**Corporate Risk Management: Developmental Objectives 2016/17**

<b>Ref:</b>	<b>Objective</b>	<b>Target Implementation Date</b>	<b>Progress to date</b>
<b>1</b>	Business Continuity Plans will be updated, enhanced and subject to testing.	July 2016	
<b>2</b>	The Strategic Risk Register will be refreshed which will include a review of the template and supporting documentation.	July 2016	
<b>3</b>	The Operational Risk Register will be refreshed, this will include a review of the template and supporting documentation.	December 2016	
<b>4</b>	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	July 2016	
<b>5</b>	The provision of further Risk Management training to Councillors and officers appropriate to their responsibilities.	December 2015	
<b>6</b>	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 2016	Complete

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**20 JUNE 2016**



**TITLE OF REPORT: Annual Governance Statement 2015/16**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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## **Purpose of the Report**

1. The Committee are asked to review the evidence of assurances provided on the Council's internal controls, risk management and governance arrangements, and approve the Annual Governance Statement 2015/16, attached at Appendix A.

## **Background**

- 2 The Accounts and Audit Regulations 2015 require Councils to produce an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness. This accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and the Chief Executive.
- 3 The Audit Committee agreed on 1 February 2016 the assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances were required in the following areas:
  - Governance Arrangements
  - Cabinet Members
  - Senior Managers
  - The System of Internal Audit
  - Risk Management arrangements
  - Performance Management and Data Quality
  - Views of the external auditor and other external inspectorates.
  - The legal and regulatory framework
  - Financial controls
  - Partnership arrangements

## **Governance Arrangements**

- 4 The Council has developed a Local Code of Governance in line with the CIPFA/SOLACE publication "Delivering Good Governance in Local Government", and based on the Council's existing governance

arrangements. This was approved by the Council on 26 April 2007 and an updated version was agreed by the Audit and Standards Committee on 16 March 2015.

- 5 The effectiveness of the Council's governance arrangements will be considered through the assessment of assurances below.

### **Cabinet Members**

- 6 As in the previous year assurance has been sought from Members of the Cabinet on the effectiveness they feel can be placed on the Council's corporate governance arrangements. A report elsewhere on this agenda sets out the evidence to show that effective governance arrangements are in place.

### **Senior Managers**

- 7 Service Directors have completed self-assessment assurance statements detailing the level of assurance obtained from their key control processes and governance arrangements. The conclusion of this exercise is reported elsewhere on this agenda and found that managers agreed that effective control systems were in place.

### **The System of Internal Audit**

- 8 The Internal Audit Service has undertaken audit work throughout the year based on the risk based audit plan. In addition the Council has a framework of assurance available to satisfy that its risks have been properly identified and are being managed by controls that are adequately designed and effective in operation. This includes assurance from a variety of sources other than the Internal Audit Service, for example, the Health and Safety team. These other audit systems have been assessed as part of the Audit Plan.
- 9 The system of internal audit, which includes the Audit and Standards Committee has been reviewed and found to be operating effectively by the Council's Internal Control Group which met on 18 May 2016.
- 10 Based on this audit activity the overall opinion of the Chief Internal Auditor for the year 2015/16, which is reported elsewhere on this agenda in the Internal Audit Annual Report 2015/16, is that internal control systems, risk management and governance arrangements are considered to be effective.

### **Risk Management**

- 11 The Strategic Director, Corporate Resources reports elsewhere on this agenda that risk management arrangements during the year were effective.

## **Performance Management and Data Quality**

- 12 The Council has a Corporate Performance Management Framework which helps it deliver the priorities within the Council Plan. The monitoring of performance takes place at key performance points as identified in the framework including quarterly performance reported to Group Management Teams and Corporate Senior Officer meetings.
- 13 In addition performance is also monitored, measured, challenged and scrutinised on a six monthly basis at Cabinet and respective Overview and Scrutiny Committees.
- 14 The evidence arising from the performance management framework process for 2015/16 was presented to the Council's Internal Control Group on 18 May 2016. Based on this evidence the Group found that effective controls are in place.

## **Views of the External Auditor and other External Inspectors**

- 15 Mazars, the Council's external auditor, issued an Annual Audit Letter in October 2015 covering the financial year 2014/15. This comprised of two elements:
  - the audit of the Council's Statement of Accounts – an unqualified opinion was issued and presented to the Council's Accounts Committee on 30 September 2015
  - Value for Money Conclusion - the conclusion was that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- 16 Other external inspectorates' reports have been issued from time to time on management and governance arrangements to the Council. The positive OFSTED report on Children Social Care informed the scope of the audit carried out during 2015/16.

## **The Legal and Regulatory Framework**

- 17 Assurance has been obtained from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. The Council has a Constitution in place and compliance with established policies, procedures, laws and regulations is ensured by the requirement to give the Strategic Director, Corporate Services and Governance the opportunity to comment on every report submitted to a decision-making body. This evidence supporting an effective Legal and Regulatory Framework was presented to the Council's Internal Control Group on 18 May 2016.

## **Financial Controls**

18 Assurance has been obtained from the Strategic Director, Corporate Resources, who is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972, that financial controls are effective. Systems in place include Financial Regulations, the opportunity to comment on the financial implications of committee reports, monitoring meetings and evidence from internal and external audit. This evidence supporting effective financial controls was presented to the Council's Internal Control Group on 18 May 2016.

## **Partnership Arrangements**

19 Service Directors review partnerships within their service plans on an annual basis. As partners are key to the delivery of the Council's objectives assurance of their control and governance systems is required. Service Directors have also been required to provide assurance on governance arrangements through their self-assessment statements and all Services are required to identify, through their business plans, where delivery of activity could impact on partnership working.

20 Based on evidence arising from partnerships for 2015/16 effective controls are in place. This evidence was presented to the Council's Internal Control Group on 18 May 2016.

## **The Annual Governance Statement**

21 It was reported to the Audit Committee on 1 February 2016 that a group has been set up to continually monitor the control and governance environment and to produce the Annual Governance Statement. This group, the Internal Control Group, which is chaired by the Strategic Director, Corporate Resources and includes representatives of the Chief Executive, Strategic Director, Corporate Services and Governance, Internal Audit and Corporate Risk Management has reviewed the evidence from the sources of assurance above and prepared the Annual Governance Statement for 2015/16 which is attached at Appendix A.

22 Based on the evidence it has concluded that the Council's system of internal control and governance is effective.

23 The Annual Governance Statement therefore reflects this opinion and gives details of the evidence obtained to achieve it.

## **Recommendation**

24 The Committee is asked to approve the Annual Governance Statement to accompany the Statement of Accounts 2015/16 prior to it being passed to the Leader of the Council and Chief Executive for signature.

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## GATESHEAD COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2015/16

#### Scope of Responsibility

- 1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:  
  
<http://www.gateshead.gov.uk/Council%20and%20Democracy/About-the-Council/policies/governance.aspx>
- 4 This statement explains how the Council has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

#### The Purpose of the Governance Framework

- 5 The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services. Good governance combines robust systems and processes, such as risk management, financial management, performance management and internal controls, with effective leadership based on openness and strong ethical standards to create a culture that underpins the delivery of the Council's services in Vision 2030 and the Council Plan.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of

the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

- 7 The governance framework has been in place at the Council for the year ended 31 March 2016 and approval of the Statement of Accounts 2015/16.

### **The governance framework**

- 8 The Council continually reviews and improves its governance framework and during 2015/16, there were two significant changes:
  - The Council agreed a new Council Plan 2015 – 2020 on 16 July 2015. The Council Plan has been developed to respond to the significant challenges Gateshead is facing in continuing to meet the changing needs of local people and businesses in the current economic climate, today and in the future. The Council Plan will enable the Council, with partners, to be better placed to achieve positive outcomes for the people of Gateshead and deliver the ambition of Vision 2030 over the next 5 years.
  - Vision 2030 is the Council's overarching strategy that brings together and shapes the focus of strategies and plans that are produced by a number of organisations and partnerships in Gateshead. The Strategy was refreshed during 2015 (Cabinet 3/11/15) to have a clear focus on what can be achieved over the next 5 years. A copy of the Vision 2030 is available on the Council's website at:

<http://www.gateshead.gov.uk/DocumentLibrary/People/Strategies/Vision-2030.pdf>

- 9 The Council continues to face a number of challenges managing significant budgetary pressures, whilst meeting increasing demand as a consequence of demographic changes and a rapidly changing policy context. It is anticipated that the scale and depth of these changes will continue throughout the timeframe of the Council Plan (i.e. until at least 2020) so the Council needs to ensure it can adapt with pace and purpose to continue to provide the best possible services to its residents.

### **Organisational Structures**

- 10 The management structure of the Council changed significantly in October 2014 with the establishment of five new service groups. Further changes that build upon this were reported to Cabinet in February 2016 in recognition that the Council is continuing to face enormous challenges in respect of the financial climate, and adapting to major changes to national policy which will affect how the Council's services and public services in general are delivered. The changes seek to rationalise functions as well as create capacity where it is needed.

- 11 Under the revised structure, the Council's functions are delivered through the following service groups:

- Office of the Chief Executive
- Care, Wellbeing and Learning
- Communities and Environment

- Corporate Services and Governance
  - Corporate Resources
- 12 In addition to structural changes, on 9 February 2016 Cabinet agreed a coordinated and integrated programme of change necessary to deliver the Council Plan 2015 – 2020. The Change Programme will be led by the Chief Executive, supported by Senior Officers, and will reach every aspect of Council business.
- 13 A clear statement of the purpose and vision for Gateshead is set out in the Sustainable Community Strategy, Vision 2030, owned by the Gateshead Strategic Partnership and published on the Council’s website. The Council’s objectives are set out in the Council Plan 2015-2020, which documents the Council’s role, working with its partners, in supporting the delivery of this Strategy. These are translated into more specific aims and objectives in the business plans which each Council service prepares annually. The achievement of these objectives is monitored by individual services and at a strategic level by the Cabinet and Overview and Scrutiny Committees.
- 14 The Council has a corporate performance management framework through which quality of service is measured via strategic outcome indicators. Following a review of the framework, Cabinet received a report on 19 April 2016 identifying a new suite of strategic outcome indicators to support the Council Plan 2015-2020. Performance is monitored by group and service management teams and scrutinised on a six-monthly basis by Overview and Scrutiny Committees, who report areas of concern to Cabinet. The Council has a performance management ICT system which brings together performance indicators, action and financial information to provide real time reporting.
- 15 The Localism Act, 2011 introduced a duty on Councils to promote and maintain high standards of behaviour by members of the Council. While the Act removed the requirement to have a Standards Committee, the Council has set up a politically balanced Committee to deal with any such issues and this was combined with the Audit Committee during 2014/15 as part of the changes to the decision making structures. The first meeting of the new Audit and Standards Committee took place on 23 June 2014. Employees are also subject to a Code of Conduct and number of specific policies as set out in the Employee Handbook.
- 16 Policy and decision making are facilitated by a clear framework of delegation set out in the Council’s Constitution. This sets out, among other things, where responsibility lies for developing and delivering policy, and for taking decisions. The Constitution provides for extensive delegation to officers but within a policy framework laid down by the Council, and with the more significant executive decisions being taken by the Leader and Cabinet. The Constitution, which was updated to reflect the Council’s new operational structure, is subject to an annual review which ensures it is up to date in terms of changes to Council policy, revised delegations and legislative changes.
- 17 Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Council maintains and reviews a register of its business risks, linking them to strategic business objectives

and assigning ownership for each risk. Risk management awareness is an integral part of the Council's employee/management competency framework and a comprehensive training programme has been developed for employees at all levels. The Audit and Standards Committee receives quarterly reports on risk management and takes appropriate action to ensure that corporate business risks are being actively managed; the Committee also receives the annual corporate risk management report and agrees the effectiveness of the Council's risk management arrangements.

- 18 The Strategic Director, Corporate Resources is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety and budget issues; giving financial information; and acting as the Council's money laundering reporting officer. It also extends to ensuring the financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 19 The Audit and Standards Committee reviews and approves the Council's Local Code of Governance; the original code was reviewed by the Audit and Standards Committees and approved by the full Council following referral from the Cabinet. The terms of reference for the Audit and Standards Committee state it will "*consider the effectiveness of the Council's risk management arrangements, the internal control environment and associated anti-fraud and anti-corruption arrangements*". The Committee reviews internal control and governance issues relating to the Council and submits an annual report to the Cabinet and Council, based on its activity over the year including the approval of the Annual Governance Statement.
- 20 Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every report submitted to a decision-making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision-making. This includes acting as the Council's Senior Information Risk Owner with overall responsibility for the Council's Information Governance procedures.
- 21 The Council maintains an independent Internal Audit Service. 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. This is achieved through the delivery of a risk based annual audit plan which is agreed by the Audit and Standards Committee and monitored on a quarterly basis. The Chief Internal Auditor also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the Council's control environment based on the work undertaken by the Service throughout the year. During 2014/15, the Internal Audit Services was externally assessed for compliance with Public Sector Internal Audit Standards. The outcome of the assessment was that the service is substantially compliant and identified no areas of concern that the Internal Audit Service is unable to form a judgement as to the proper and effective working of the Council's system of internal control. There were some minor areas for improvement which are not considered material to impact on the overall scope of operation of the

service. The results of the assessment were reported to the Audit and Standards Committee on 26 January 2015.

- 22 The Council has a Workforce Strategy 2015-2020 (Cabinet 14 July 2015) , which enables managers to realise the full potential of their team and employees participate in a regular review of their achievement and development needs. The Council's 'whistle blowing' procedure was reviewed and refreshed during 2014/15, is set out in the employee handbook and contact details are on the Council's website. Responsibilities for investigation of allegations are set out in the Council's Fraud and Corruption Policy which was updated in March 2012. The policy will be reviewed during 2016/17 to take into consideration CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.
- 23 The Council is committed to the training and development of all of its councillors. All councillors are encouraged to take the opportunity to draw up a Personal Development Plan (PDP) which is monitored on an annual basis. The PDP helps to identify areas where individuals would like extra training or development. Councillors are also encouraged to attend training courses on specific issues including Ethics and Probity and Risk Management. In addition, a development pool has been established into which councillors can nominate themselves, to further develop their chairing skills. The Council has for many years, provided an induction programme for new councillors, giving the opportunity to meet with the Chief Executive and senior officers of the Council. The aim of the programme is to give an insight into how the Council works and the different services it provides to residents.
- 24 A partnership register is maintained which is updated by Strategic/Service Directors in a timely manner and then reviewed on an annual basis. A guidance document is available to Strategic/Service Directors to support the maintenance of the register. Examples of partnerships on the register include the Gateshead Strategic Partnership, the Local Safeguarding Children Board and the South Tyne & Wear Waste Management Partnership . A risk assessment model has been developed to assess the strength of each partnership arrangement in respect of governance, financial arrangements, reputation and delivery. The most significant partnerships to the Council have been identified from the Partnership Register and risk assessments have been completed by the relevant Strategic/Service Director for each of these.

## **Review of Effectiveness**

- 25 The Accounts and Audit Regulations 2015 and the CIPFA/SOLACE Good Governance Framework have established requirements that all local authorities must adhere to in relation to governance arrangements. The Council must ensure that it has a sound system of internal control which:
- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
  - Ensures that the financial and operational management of the Council is effective; and
  - Includes effective arrangements for the management of risk.

- 26 The Council must, each financial year, conduct a review of the effectiveness of the system of internal control and to include the results in an Annual Governance Statement which accompanies the Statement of Accounts. The review of effectiveness is informed by Cabinet Members, the work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by external auditors and other review agencies and inspectorates.
- 27 The review of the effectiveness of governance arrangements is informed by:
- The opinion of the Members of the Cabinet;
  - The work of senior managers within the Council;
  - The effectiveness and work of Internal Audit, incorporating the Internal Audit Service and the Audit and Standards Committee
  - Corporate Risk Management arrangements;
  - The robustness of Performance Management and Data Quality information;
  - The external auditor's annual audit letter and other reports;
  - Assurance from the Strategic Director, Corporate Services and Governance on the operation of Council's Legal and Regulatory Framework;
  - Assurance from the Strategic Director, Corporate Resources on the operation of the Council's financial controls, and
  - Partnership governance arrangements.
- 28 The Council's Constitution sets out the role of the Leader and Cabinet as follows:
- To lead change and make recommendations for change to the Council, in consultation with a wide range of stakeholders;
  - To ensure that the Council's priorities within the policy framework and budget are implemented, making decisions within that framework where appropriate;
  - To monitor the implementation of the budget and policy framework through taking a lead role on Best Value and through co-ordination with the Overview and Scrutiny role; and
  - To provide a public face on specific issues.
- 29 The Council's Local Code of Governance is reviewed regularly and was last approved by the Audit and Standards Committee on 7 March 2016. A report was presented to the Audit and Standards Committee on 20 June 2016 in which Members of the Cabinet agreed that reliance can be placed on the Council's corporate governance arrangements when carrying out their roles. The code outlines the principles of good governance and how the Council complies with them. In addition, it highlights a number of areas of future development opportunities to improve the governance framework. In April 2016, CIPFA issued new guidance on Delivering Good Governance which is applicable to the financial year 2016/17. The Council will use the revised guidance to inform its annual review of the local code.
- 30 Cabinet members and Service Directors have carried out self-assessments of the processes, controls and governance arrangements they have in place to allow them to achieve their service objectives. These included consideration of the effectiveness of internal controls. A report was submitted to the Audit and Standards Committee on 20 June 2016 which concluded that, based on the self-

assessments, Cabinet members and Service Directors agree that effective controls were in place.

- 31 The Chief Internal Auditor reports to the Council's Strategic Director, Corporate Resources, but in order to ensure independence has direct and unfettered access to the Chief Executive, Strategic Director, Corporate Services and Governance (Monitoring Officer), and the Chair of the Audit and Standards Committee. A review of the effectiveness of Internal Audit, incorporating the Internal Audit Service and the Audit and Standards Committee, has been undertaken and was reported to the Audit and Standards Committee on 20 June 2016. This included an assessment of compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010) and compliance with Public Sector Internal Audit Standards. This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor to be relied upon.
- 32 The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which was incorporated in the Annual Internal Audit Report to the Audit and Standards Committee on 20 June 2016. This opinion is based on audit reviews undertaken during the year which found all systems reviewed to be operating well or satisfactorily, except in 10 cases where significant weaknesses were identified. These weaknesses were in specific areas and as such there are no areas for improvement disclosed in this statement for 2015/16 as a result of the work of the Internal Audit Service.
- 33 The Annual Risk Management Report will be presented to the Audit and Standards Committee on 20 June 2016 which concludes that risk management arrangements are effective.
- 34 Regular reports on performance management information and data quality have been considered by Overview and Scrutiny Committees and Cabinet over the course of the year. The Council has redesigned its performance management framework to ensure it continues to remain effective, fit for purpose and sustainable. Based on the information provided during the year and internal reviews of data quality, effective controls are in place.
- 35 Assurance on the effectiveness of the Council's legal and regulatory framework has been provided by the Strategic Director, Corporate Services and Governance, who as Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every committee report submitted to a decision-making body. No areas of significant non-compliance have occurred during 2015/16.
- 36 Assurance on the effectiveness of the Council's financial controls has been provided by the Strategic Director, Corporate Resources (Chief Financial Officer) who is designated as the responsible officer for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. Effective systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role. The financial

arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

37 Service Directors review partnerships within their business plans on an annual basis. As partners are key to the delivery of the Council's objectives assurance of their control and governance systems is required. Following extensive consultation and review, revised approaches to partnership working were agreed by Cabinet and the Gateshead Strategic Partnership Steering Group in October 2011. This has ensured partnership arrangements are more business and action focused whilst retaining inclusive and effective engagement with the wider Gateshead community. The corporate guidance on managing partnerships effectively was updated in 2014 and is reviewed on an annual basis.

38 The results of the review of the Council's governance arrangements during 2015/16, including the internal control and risk management environment, have concluded that it continues to be effective.

### **Joint Statement by the Leader of the Council and the Chief Executive**

39 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Standards Committee on 20 June 2016 and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

**Signed:**

**Signed:**

Councillor Martin Gannon

Jane Robinson

Leader of the Council

Chief Executive

Dated:

Dated:



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

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