AUDIT AND STANDARDS COMMITTEE AGENDA

Monday, 6 March 2017 at 10.00 am in the Blaydon Room - Civic Centre

From the Chief Executive, Sheena Ramsey

Item	Business
1	**Apologies for Absence**
2	**Minutes** (Pages 3 - 6)
	The Committee is asked to approve, as a correct record, the minutes of the meeting held on 30 January 2017.
3	**Declarations of Interest**
	Members to declare interests in any agenda items.
4	**Local Code of Governance** (Pages 7 - 94)
	Report of the Strategic Director, Corporate Services and Governance
5	**External Auditor: Certification of Claims and Returns Annual Report 2015/16** (Pages 95 - 98)
	Report of the Strategic Director, Corporate Resources
6	**External Auditor: Audit Strategy Memorandum Year Ending 31 March 2017** (Pages 99 - 118)
	Report of the Strategic Director, Corporate Resources
7	**Internal Audit Update** (Pages 119 - 122)
	Report of the Strategic Director, Corporate Resources
8	**Annual Governance Statement 2016/17 - Assurance Framework** (Pages 123 - 128)
	Report of the Strategic Director, Corporate Resources

Contact: Neil Porteous - Tel: 0191433 2149 - Email: Neilporteous@gateshead.gov.uk,
Date: Friday, 24 February 2017

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GATESHEAD METROPOLITAN BOROUGH COUNCIL

AUDIT AND STANDARDS COMMITTEE MEETING

Monday, 30 January 2017

PRESENT:	Councillor H Haran (Chair)
	Councillor(s): J Adams, L Green, J McElroy
INDEPENDENT MEMBERS:	B Jones
APOLOGIES:	Councillor(s): J Green, J McClurey
	Independent Member(s): G Clark and J Common

ASC 33   MINUTES AND MATTERS ARISING

The minutes contained a request for details of covenants on the Council's borrowing to be provided to the Committee. It was reported that since the last meeting checks have been undertaken and there are no covenants on the Council's borrowing.

An update on the Council's ICT security measures will also be provided to Committee in due course.

It was also confirmed that a paper will be circulated to the Committee on the Council's Change Programme for information.

RESOLVED: The minutes of the meeting held on 3 October 2016 were approved as a correct record.

ASC 34   DECLARATIONS OF INTEREST

RESOLVED: There were no declarations of interest.

ASC 35   EXTERNAL AUDITOR APPOINTMENTS BEYOND 1 APRIL 2018

The Committee received a report informing of the optional arrangements for the appointment of external auditors for the financial year beginning on 1 April 2018.

The advantages and disadvantages for each of the three options were outlined.

The Committee reviewed the options and commented that Option 3, opting in to a sector led body that will negotiate contracts and make the appointment on behalf of Councils (thus removing the need to setup an Independent Auditor Panel) was the preferred option.

RESOLVED: That the Committee's preference for option 3, as detailed in the report, be reported to the Cabinet at its meeting on 7 February 2017.

ASC 36   EXTERNAL AUDITOR: ANNUAL AUDIT LETTER 2015/16

The Committee received a report requesting it to note the external auditor's Annual Audit Letter 2015/16. The Annual Audit Letter, which was appended to the report, provided a summary of the external auditor's work in respect of the: Statement of Accounts; Value for Money conclusion; Future challenges, and; Fees.

The Committee was pleased to be informed that this Council is well ahead of other authorities in respect of presenting its financial statements, having presented them for audit by the end of May 2016, well ahead of the national deadline. Had there been no delay in the receipt of assurance from the pension fund auditor, this Council would have been the only Council in the North East region to have received the external auditor's opinion before the end of July.

Assurance was sought by the Chair and Vice Chair that issues relating to Brexit are being identified and worked through. It was noted that Brexit is being monitored as a trend as part of ongoing work related to the Council's Treasury Strategy and Medium Term Financial Strategy. Colleagues in Corporate Procurement are also monitoring Brexit closely to identify any trends in the cost of goods and services.

It was suggested that the presentation delivered by Gareth Davies, Mazars to CIPFA North East on 29 September 2016 be shared with the Committee as this focused on the Impact of Brexit on Public Services.

RESOLVED: i) That the contents of the Annual Audit Letter be noted.
ii) That the presentation on the Impact of Brexit on Public Services by Mazars be circulated to the Committee.

ASC 37   CORPORATE RISK MANAGEMENT 2016/17 QUARTERLY REPORT TO 31 DECEMBER 2016

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

An Action Plan for the delivery of the Developmental Objectives for 2016/17 was appended to the report. This incorporated details of progress made.

It was reported that the second meeting of the refreshed Risk and Resilience Group has taken place. The work of the group will be used to support ICT Services in ensuring robust disaster recovery systems are in place.

The Council's current Strategic Risk Register was also provided for information.

RESOLVED: That the information be noted.

ASC **EXCLUSION OF THE PRESS AND PUBLIC**
38

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

ASC **INTERNAL AUDIT PLAN 2016/17 QUARTERLY MONITORING REPORT TO 31**
39 **DECEMBER 2016**

A report was presented outlining the progress made by the Internal Audit and Risk Service against the audit plan for the financial year 2016/17 and a proposal to revise the 2016/17 plan on a risk assessed basis to reflect anticipated resources. The report also summarised the main findings arising from audit activity throughout the period 1 October 2016 to 31 December 2016.

A short verbal update was provided on the different approaches being adopted by some Local Authorities in respect of Audit Planning.

RESOLVED: That the information be noted.

Chair………..……………..

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Gateshead Council

TITLE OF REPORT: **Local Code of Governance**

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

Purpose of the Report

1.   This report asks the Audit and Standards Committee to consider an updated
        version of the Local Code of Governance, and to agree the proposed approach to
        developing and delivering the new CIPFA Delivering Good Governance in Local
        Government: Framework.

Background

2   The Council has a local code of governance, which was originally presented to the
        Audit Committee in April 2007. The document was developed from a framework
        document produced by CIPFA and SOLACE. This has been updated and is
        attached as Appendix 1 to this report.

3   The code defines how the Council complies with the principles of good governance
        laid down by the Independent Commission on Good Governance in Public
        Services. The principles are:

   • Focusing on the purpose of the Council and on outcomes for the community
     including citizens and service users and creating and implementing a vision
     for the local area.
   • Councillors and officers working together to achieve a common purpose with
     clearly defined functions and roles
   • Promoting the values of the Council and demonstrating the values of good
     governance through behaviour
   • Taking informed and transparent decisions which are subject to effective
     scrutiny and managing risk
   • Developing the capacity and capability of Councillors to be effective and
     ensuring that officers – including the statutory officers - also have the
     capability and capacity to deliver effectively.
   • Engaging with local people and other stakeholders to ensure robust local
     public accountability.

4   The Code is essentially based on the Council's existing constitution, protocols and
        procedures but has been updated to include changes to documents and
        procedures in the last year. In particular it takes account of the following actions
        achieved:

   • New Corporate Performance Management framework agreed with target and
     tracker indicators aligned to Council Plan 2015-2020
   • Review of Council Plan and Vision 2030
   • Review of Appraisal & Development

- Development of the Councillor Engagement and Development Framework
- Online consultation panel – engagement with residents
- Corporate Employee Forum developed and Employee Survey 2016.

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

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

5   The Committee may recall that it was advised in March 2015 that CIPFA were reviewing their framework document (referred to in paragraph 2 above) to ensure that it remained fit for purpose. Subsequently, in October 2015 the Committee agreed a response to a consultation by a CIPFA/Solace Joint Working Group on their revised draft document Delivering Good Governance in Local Government. CIPFA issued their new Delivering Good Governance in Local Government: Framework along with comprehensive Guidance in April 2016. The Framework is attached as Appendix 2.

6   The new approach is intended to better assist local authorities, and associated organisations and vehicles through which authorities now work, in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self assessment. The principles of good governance in the framework are:

- Behaving with integrity

- Ensuring openness and comprehensive engagement

- Defining sustainable outcomes

- Determining interventions

- Developing capacity

- Managing risks and performance

- Implementing good practice in transparency

This approach accords with and should compliment the work being developed in the Ways of Working change programme workstream.

Proposal

7.   The new Framework will require a full re-drafting of the Council's Local Code of Governance although the majority of the information contained in the current Code will be pertinent to the new one. However, rather than just attempting a simple transposing of information, to get the best value from the new Framework a new approach is proposed.

8.   It is suggested that an iterative and measured approach be taking to development of the new Framework over the next 6-9 months so that the new Code can be fully populated and in place for March 2018. This would involve:

- creation of a core officer working group

- regular reports to Audit and Standards Committee along with involvement (e.g. by way of workshop sessions) in between

- regular reports to Strategy Group and Leadership Team.

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

Recommendations

9   It is recommended that the Audit and Standards Committee:

(i)   approves the current updated Local Code of Governance; and

(ii)   approves the proposed approach to development of the new CIPFA Framework.

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GATESHEAD COUNCIL

LOCAL CODE OF GOVERNANCE

Gateshead Council Local Code of Governance

Contents

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Local Code of Governance

Introduction

Welcome to the Council's Local Code of Governance.

The Local Code of Governance has been developed from a framework document produced by CIPFA and SOLACE, but the content is very much the Council's own. The six sections of the Code define how the Council complies with the six principles of good governance laid down by the independent commission on good governance in public services. These are:

1. vision, forward planning and performance,
2. roles and responsibilities of councillors and officers,
3. standards of conduct,
4. scrutiny and risk management,
5. developing capacity,
6. engaging with local people and stakeholders.

Gateshead Council, like every other local authority, operates through a governance framework which brings together an underlying set of legislative of requirements, governance principles and management processes. The Council has put considerable effort into codifying its principles and processes. Perhaps the clearest manifestation of this is the Council's constitution, published for the first time in May 2002 and reviewed annually thereafter. No less effort has gone into the development of protocols for the Council's internal procedures and for working with partners; processes for ensuring financial probity and managing risks; and code of ethical behaviour for elected councillors and employees. These developments have covered partnership work and the engagement of citizens as well as the conduct of the Council's own business.

The Local Code of Governance brings all these practices together into one document and makes them open and explicit. It identifies areas where further action is required to meet changing circumstances and/or to ensure that we are following best practice in all aspects of governance.

The Code will be reviewed annually and will support the Annual Governance Statement that the Council is required to approve.

The Council could not have achieved its success in regenerating the Borough and providing high quality services without a bedrock of sound governance and the commitment of councillors and officers to maintaining those standards. We hope that, by making explicit the underlying principles and processes, the Code will assist councillors and officers to sustain high standards in the future.

Local Code of Governance

Section 1 - Focusing on the purpose of the authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

1. Leadership is exercised by clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users. We ensure that users receive a high quality of service whether directly, or in partnership or by commissioning. We also ensure that the authority makes the best use of resources and that taxpayers and service users receive excellent value for money.

REQUIREMENT - Make a clear statement of the authority's purpose and vision and use it as a basis for corporate and service planning and shaping the community strategy

2. The Council and partners' shared vision for Gateshead is expressed in Gateshead's Sustainable Community Strategy 'Vision 2030': *"Local people realising their full potential, enjoying the best quality of life in a healthy, equal, safe, prosperous and sustainable Gateshead."* This vision is supported through the Council's priorities detailed in the Council Plan 2015-2020.

3. Vision 2030 is the borough'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 to have a clear focus on what can be achieved over the next 5 years.
   http://www.gateshead.gov.uk/DocumentLibrary/People/Strategies/Vision-2030.pdf

4. In response to the significant financial challenges Gateshead Council is facing, a refresh of the Council Plan also took place in 2015 to enable the Council, along 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.

5. The Council Plan 2015-2020 sets the major policy directions for the Council, influencing decisions on future budget proposals and the development of service business plans for each of the Council's services:

   - Prosperous Gateshead – a thriving economy for all
   - Live Love Gateshead – a sense of pride and ownership by all
   - Live Well Gateshead – a healthy, inclusive and nurturing place for all

   The full version of the Council Plan 2015-2020 can be found here:
   http://www.gateshead.gov.uk/DocumentLibrary/council/strategy/CouncilPlan.pdf

   .

6. Vision 2030 and the Council Plan are central to the Council's corporate and service business planning framework.

7. The Council's Corporate Performance Management Framework supports the delivery of the Council's priorities within Vision 2030 and the Council Plan.

8. A summary annual report of the Council's performance is published on the internet and available on request.

9. As part of the corporate reporting process monthly revenue monitoring to services and quarterly reporting to Cabinet is prepared. Reports show; income, expenditure, projected outturn and variance by service. The statement of accounts is approved by the Accounts Committee. It is proposed that for 2015/16 onwards the statement of accounts will be presented to the Audit and Standards Committee and any comments by it will be presented to the Accounts Committee for consideration.

10. Prepared annually the Budget Plan and Medium Term Financial Strategy (MTFS) are a key part of the Council's Policy Planning and Improvement Framework which aims to ensure that all revenue resources are directed towards delivery of Vision 2030. The MTFS establishes how available resources will be allocated to services in line with Council priorities. The MTFS covers three years and is reviewed annually.

   Evidence
   - Joint Strategic Needs Assessment.
   - The Gateshead's Sustainable Community Strategy, Vision 2030.
   - The Council Plan 2015-2020.
   - The Council's Corporate Performance Management Framework.
   - Delivery and Performance Reports.
   - Annual Report.
   - Medium Term Financial Strategy.
   - Budget Plan.
   - Statement of Accounts.
   - Summary of Accounts.
   - Council Tax and NNDR leaflet.
   - Service Business Plans.

11.   Future
   - During 2017, a refresh of the corporate approach to performance management will be undertaken as part of the corporate Change Programme to ensure it is supporting the delivery of the Council Plan 2015-2020.
   - Strengthening the Value for Money Framework.
   - Present the statement of accounts to the Audit and Standards Committee prior to its consideration by the Accounts Committee.

> **REQUIREMENT - Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available. The authority must ensure that this information is reflected in its Corporate Plan, Medium Term Strategy and Resourcing Plan in order to ensure improvement.**

12. Service excellence remains a Council wide priority and is included in every business plan. Quality of service is monitored through the portfolio meetings, the performance management cycle and scrutinised through the Overview and Scrutiny Committees and Cabinet.

13. The Council has an agreed Policy and Performance Management Framework. The quality of service is measured using strategic indicators and this is reported through the scrutiny process.

14. The Council has implemented a Council wide performance management ICT system which seeks to bring together all performance indicators, actions and financial information to provide real time reporting.

15. Evidence
- Corporate Performance Annual Assessment.
- Service Business Plans.
- Service Reviews.
- Overview and Scrutiny Reviews.
- Strategic indicators and targets monitored through group management teams, Strategy Group and then reported to councillors, OSC and Cabinet on a six monthly basis.
- There is a Senior Management Group whose primary focus is performance.

16. Future

- During 2017, a refresh of the corporate approach to performance management will be undertaken as part of the corporate Change Programe to ensure it is supporting the delivery of the Council Plan 2015-2020.

> **REQUIREMENT - Decide how value for money is to be measured and make sure that it has the information needed to review value for money and performance effectively is available. Ensure that the results are reflected in authorities' performance plans and in reviewing the work of the authority.**

17. The Council has embarked on a 5 year Change Programme to ensure that resources are directed to deliver the Council's priorities in the challenging economic context, by supporting and facilitating activities and projects needed to deliver the transformation of council services. Progress is reported on a regular basis to the Change Programme Board and key initiatives from the programme are taken to Cabinet for approval.

18. To provide a framework for the Strategic Director, Corporate Resources to exercise his delegated powers, the Council agrees a three year Treasury Management Policy & Strategy, which is reviewed at the start of each financial year. The Treasury Policy and Strategy are prepared taking into account the Local Government Act 2003, Communities and Local Governments (CLG) Guidance on Local Government Investments, CIPFA's Prudential Code for Capital and CIPFA's Revised Code on Treasury Management. In line with CIPFA's Code of Practice, performance is reported mid-year and annually. Compliance with Prudential Indicators is reported on a monthly basis to the Treasury Management Strategy Group and to councillors on a quarterly basis.

19. The Council has implemented a Council wide performance management ICT system which seeks to bring together all performance indicators, actions and financial information to provide real time reporting.

20. Evidence
- Business plans.
- Annual Report – which complies with the necessary performance plan requirements.
- VFM inspection.
- Priority themes are identified each year and the work of the Efficiency and VFM Group is focused on these themes.

21. Future
- The development of the VFM Framework.
- The continued assessment of the corporate performance management ICT system and its value to services.

REQUIREMENT - Put in place effective arrangements to deal with failure in service delivery.

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22. The Council's corporate performance management framework is continually reviewed to ensure it is effective, fit for purpose and sustainable. It is a positive tool for employees, managers and councillors to use to take appropriate action, allocate resource and drive improvement. The approach and application of performance management incorporates:

- A clear distinction between the three linked factors of performance management – Strategic, Management Oversight and Operational – this approach formalises roles, responsibilities, expectations and consequences of poor performance and prompts constructive challenge and risk based escalation.

- Reporting of performance is focused and structured around the individual role and remit of each Overview and Scrutiny Committee and the outcomes of the Council Plan.

The approach and application of performance management will help deliver priorities within Vision 2030 and the Council Plan 2015-2020.

23. In practical terms there is an annual performance management reporting cycle, which includes setting targets for 2020 in line with the aims of the Council Plan 2015- 2020 with performance reporting that highlights key areas where actions are necessary to improve performance and limit failure in service delivery. The Council has a corporate set of strategic target and tracker indicators that are monitored through Group Management Teams, Strategy Group, Overview and Scrutiny Committees and reported to Cabinet and Council. In addition, monitoring of operational indicators is undertaken within Group Management Teams. Service Directors are responsible for these indicators which form part of their Service Business Plan.

24. The Council has a robust corporate compliments and complaints procedure. Service improvements are highlighted as a result of justified complaints and are highlighted in service plans if any further action is

necessary. An annual report relating to compliments, complaints and service improvements is considered by the Corporate Resources Overview and Scrutiny Committee and Cabinet.

25. The Council Plan 2015-2020, sets out the Council's programme for improvement. It is based on a range of improvement actions that are drawn from:

- Joint Strategic Needs Assessment
- Council's own reviews e.g. service reviews, OSC reviews, Change Programme
- External inspections such as Ofsted, Care Quality Commission, External Auditor, Peer Reviews
- Issues arising from the Council's ongoing Performance Management Systems (including scrutiny)
- Consultation exercises

These actions, in common with everything the Council does, are directed towards the achievement of the Council's vision.

26. There are four Overview and Scrutiny Committees and two Sub Committees who support the work of the Cabinet and the Council as a whole. They make recommendations and reports to the Cabinet and the Council on its policies, budget and service delivery. They may comment on forthcoming decisions and on policies and budgets that are in the course of development.

27. Overview and Scrutiny Committees also monitor the decisions of the Cabinet. They can 'call in' a decision that has been made by the Cabinet but not yet implemented and if they think it appropriate may ask the Cabinet to think again. They can also hold reviews and inquiries into matters of local concern, involving other agencies in Gateshead as well as the Council.

28. Evidence
- The application and approach of the Council's corporate performance management framework
- Service Business Plans.
- Service reviews.
- Overview and Scrutiny Committees.
- Strategic indicators monitored through Group management teams, Strategy Group and then reported to councillors six monthly.
- Operational performance monitored via Group Management Teams.
- There is a Senior Management Group whose primary focus is performance.

29. Future
- During early 2017, a refresh of the corporate approach to performance management will be undertaken as part of the corporate Change Programme to ensure it is supporting the delivery of the Council Plan 2015-2020

REQUIREMENT - When working in partnership ensure that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners.

30. Gateshead Council has embraced fully the drive to improve service planning and delivery through increased partnership working. Without doubt, working in partnership can assist the Council in achieving its objectives and delivering service improvements for the benefit of Gateshead residents. In practical terms this is supported by the development of a guide to partnership working.

31. Gateshead's Sustainable Community Strategy "Vision 2030" was developed to ensure there was a common vision with clear targets, which was understood and agreed by all partners.

32. Evidence
- Refreshed "Guide to Partnership Working" (January 2015) achieved
- Refreshed Protocol on Partnerships (no 15). (February 2015) achieved
- Gateshead Strategic Partnership (GSP) handbook (including operational arrangements, decision making, meetings, chairs and vice chairs and councillors' roles, terms and conditions, membership, frequency of meetings, access to agendas and meetings) (Revised 2014).

33. Future
- Review the Council's Strategic Partnership arrangements to ensure all 'add value' and effectively utilise partner resources.
- Responding to Government policy initiatives impacting on the Council's community leadership role and its role as convener of services.

Local Code of Governance

REQUIREMENT – Set out a clear statement of the roles and responsibilities of the Executive and its councillors and the authority's approach towards putting this into practice.

1. The Council has a Leader and Cabinet Executive. Their roles and responsibilities are set out in Article 7 of the Constitution. The Cabinet is collectively responsible for developing the Council's budget and policy framework, and ensuring that Council policy is implemented by taking executive decisions within that framework.

2. Cabinet members are appointed and allocated portfolios by the Leader. Within their portfolio area, Cabinet members represent the Council, leading change through the review and development of services and publicly presenting issues and policies as they develop. They do not however have individual decision-making powers; all matters that are the responsibility of the Cabinet are determined by the Cabinet collectively.

3. **Evidence**
   - Formal, public meetings of the Cabinet.
   - Regular briefings of the Leader and Cabinet by the Chief Executive.
   - Regular meetings of Cabinet members with the relevant Strategic Director and other senior staff, who support their portfolio area.
   - The Protocol on Councillor-Officer Relations, which gives advice on the working relationships between all councillors and senior managers.
   - The Gateshead Council Constitution - http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

4. **Future**
   - The Localism Act 2011 maintained provision for a Leader and Cabinet Executives. There are flexibilities within the legislation, for example, the delegation of functions to individual members, which can be utilised by the Council if required.

REQUIREMENT – Set out a clear statement of the respective roles and responsibilities of other authority councillors, councillors generally and senior officers.

5. Article 2 of the Constitution sets out councillors' key roles, ranging from dealing with case work and representing the interests of their ward, to participating in the governance of the Council and (collectively in Council) acting as the ultimate policy-makers.

6. The Council has agreed a statement on the role of the ward councilor as community champion. This defines their role as:
   - being the lead advocate for local communities,
   - identifying service needs specific to neighbourhoods in their ward and exploring how those needs can be met,
   - monitoring service delivery and raising issues about performance,
   - working with local people and organisations to develop community partnerships,
   - carrying out case work and helping to resolve people's problems,
   - being the focal point for the "Community Call for Action".

7. This is supported by a protocol which sets out standards for officers to observe in consulting and communicating with councillors.

8. Article 13 of the constitution sets out the roles of employees and particularly of strategic directors. Officers at service director level and above have specific responsibility for managing human and financial resources and taking decisions under delegated powers – **see paragraphs 37-39**.

9. **Evidence**
   - Gateshead Council Constitution -
     http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
   - Statement on the role of the Ward Councillor as Community Champion.
   - Protocol for Consultation and Communication with Councillors.
   - Protocol on Councillor/Officer Relations.
   - Training course for officers working with councillors.

10. **Future**
    - A Councillor Engagement and Development Framework has been developed and will continue to be embedded across the Council.

REQUIREMENT – Develop protocols to ensure effective communication between councillors and officers in their respective roles.

11. Officers are required to consult ward councillors, as well as the relevant Cabinet member on matters affecting their wards that require to go to Cabinet or a committee for decision, or on which they are intending to take a decision under delegated powers. Officers are also required to acknowledge councillors' enquiries by the end of the next working day and to provide a full reply within five working days (or an explanation as to why a reply cannot be given within that timescale).

12. The Protocol on Councillor-Officer Relations also gives guidance on what councillors can and cannot expect in terms of advice and information from officers.

13. **Evidence**
    - Councillor-Officer Relations.
    - Protocol for Consulting and Communicating with Councillors.
    - Councillor Engagement and Development Framework.

14. Future

- Training has been developed to assist officers in their presentational skills at meetings involving Councillors and will continue to be provided.

> **REQUIREMENT – Develop protocols to ensure that the Leader and Chief Executive negotiate and maintain their respective roles early in their relationship and have a shared understanding of roles and objectives.**

15. The roles of the Leader and the Chief Executive are set out in the Constitution (Articles 7 and 13 respectively). Formally, guidance on the relationship between officers (including the Chief Executive) and the Leader is given in the protocol on Councillor-Officer Relations. However, the relationship between Leader and Chief Executive is to some degree a personal one and by its nature cannot be entirely expressed in a written protocol.

16. Evidence

- Gateshead Council Constitution, articles 7 and 13 –
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

17. Future

- Ensure that the relationship is kept under review.

> **REQUIREMENT – Set out the terms and conditions for remuneration of councillors and officers and an effective structure for managing the process including an effective remuneration panel.**

18. Councillors' remuneration is agreed by the Council on the recommendation of an Independent Remuneration Panel constituted under the Local Authorities (Members' Allowances) Regulations 2003. The Panel, currently chaired by a representative of the local business community, carries out the reviews of councillors' remuneration. This allows changes in councillors' duties and changing trends in allowances nationally, to be reflected in the Council's allowances scheme.

19. The pay structure for employees at service director level and above is agreed by the Council's Contracts Committee. Other employees are paid in accordance with national conditions of service. A job evaluation scheme for all employees below service director level has been undertaken. This provided a robust foundation for fair and equitable remuneration across the board.

20. In accordance with the Localism Act 2011 the Council produces an annual pay policy statement which is approved by Council and publicised on the Council's website.

21. Evidence

- Councillors' Allowances (Report of the Independent Remuneration Panel, to Council March 2015 report).

- Gateshead Council Constitution – Terms of Reference of Contracts Committee
  http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Pay Policy Statement.

22. Future
- An Independent Remuneration Panel to carry out further reviews in future years.
- As required the Council will review its pay policy statement at least annually.

> **REQUIREMENT – Ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly anticipated and disseminated.**

23. The vision for Gateshead is set out in the Gateshead Strategic Partnership's Sustainable Community Strategy 'Vision 2030' which was first developed in 2007. It was subsequently refreshed in 2010 following widespread public and partner consultation, and in 2015 using evidence and analysis from the Joint Strategic Needs Assessment, Economic Assessment, Community Safety Assessment, consultations and Resident Survey data. The Council Plan 2015-2020 is Gateshead Council's statement of intent – our priorities and action to deliver Vision 2030.

24. The outcomes set out in the Council Plan are supported by the service business plans for each service (updated annually by Service Directors) and a series of statutory and non-statutory plans that comprise the Council's policy framework (listed in Article 4 of the Constitution). Plans are approved by the Council following consultation with the public, partners and stakeholders. When we consult, we do so using a set of consultation principles as a guide. As well as consulting with residents on specific issues, we work in partnership to carry out longer term engagement. This involves working closely with communities to ensure they are empowered, supported and developed to be involved in decisions that affect their lives.

25. The Council has a well developed Medium Term Financial Strategy which forms part of the Council's Plan. The MTFS is refreshed on an annual basis taking into consideration changes in service demands and legislation. The principles of the MTFS, a robust budget setting process with detailed consultation and a monthly revenue monitoring process, underpin the overall process.

26. Evidence
- Council Plan 2015-2020.
- Gateshead's Sustainable Communities Strategy "Vision 2030".
- Gateshead Council Constitution – Article 4
  http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- The Council's Consultation Principles.

27. Future
- Business plans reviewed annually to link to Gateshead's Sustainable Community Strategy "Vision 2030" and Council Plan 2015-2020 outcomes.

- Review of Gateshead Communities Together Strategy (planned for 2017).

> **REQUIREMENT – When working in partnership ensure that:**
> - **there is clarity about the legal status of the partnership**
> - **the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability**
> - **representatives or organisations make clear to all other partners the extent of their authority to bind their organisation to partner decisions.**

28. Article 10 of the Council's Constitution identifies partnership working as a growth area and, recognising the benefits to be derived, undertakes to take further steps to facilitate effective working at a local level with other structures and agencies.

29. The Council has produced a guide to partnership working for the benefit of council officers and partners, to ensure that they have the knowledge and the skills necessary to realise the full potential of partnership working at its best. The guide provides a definition of a partnership and standards and principles that should be adhered to, and considered, when forming a partnership.

30. The Council also holds a Partnerships Register which sets out information on its key partnerships (including their legal status). The register acts as:

- a reference guide for councillors, members and officers,
- an audit tool, to ensure that there is minimal duplication in the work of partnerships and that adequate governance arrangements are in place and are accessible.

31. The register is continuously reviewed and updated and contains details of membership, resources for which the partnership is responsible, governance arrangements (including accountability), purpose, benefits and the identity of the lead officer, who is answerable for the effectiveness of the partnership in question.

32. Evidence
- Council Plan 2015-2020
- Gateshead's Sustainable Community Strategy "Vision 2030".
- Gateshead Council's Constitution
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Partnership Register
- Guide to Partnership Working (revised January 2015)

33. Future
- Undertake an internal audit review of partnership arrangements to ensure effective leadership and governance is in place (annually).

> **REQUIREMENT – Ensure that effective mechanisms exist to monitor service delivery.**

34. Service delivery is monitored in a variety of ways:
    - Through performance indicators that are used by managers to support improved service delivery and reported to Overview and Scrutiny Committees and Cabinet.
    - Through deficiencies being brought to the attention of managers by councillors and the public.
    - Through the corporate complaints system, which is used by managers to identify weaknesses in services and to drive improvements (an annual report on complaints, and action taken in response, is submitted to Cabinet and the Corporate Resources Overview and Scrutiny Committee).
    - By Overview and Scrutiny Committees carrying out reviews of performance.

35. **Evidence**
    - Annual Report on Corporate Complaints.
    - Six monthly reports on performance in achieving the outcomes of the Council Plan 2015-2020 and Vision 2030.

36. **Future**
    - Annual review in line with any changes.

> **REQUIREMENT – Determine a scheme of delegated and reserved powers within the constitution, including a formal schedule of those matters referred for collective decision of the authority taking into account of relevant legislation and ensure that it is monitored and updated when required.**

37. Part 3 of the Constitution sets out formally and in detail the matters that are delegated to the various committees of the Council and to strategic directors and service directors. It also lists the matters that are reserved for decision by the full Council.

38. Article 16 of the Constitution places a duty on the Chief Executive and the Monitoring Officer to monitor and review the Constitution to ensure that its aims and principles are given full effect. Article 16 also sets out the procedure for changing the Constitution.

39. In practice, an annual review of the Constitution is carried out, led by the Democratic Services Manager and reported the Cabinet and full Council. A detailed procedure for carrying out the review is set out in the Corporate Services and Governance Quality Management System. This ensures that the Constitution remains up to date in terms of changes to Council policy, revised delegations and on points of detail such as updated references to legislation.

40. The Health and Social Care Act 2012 resulted in the restructure of public health nationally and locally. The Council has approved arrangements for the transfer of public health functions from the NHS to the Council and the establishment of the Health and Wellbeing Board. Parts 2 and 3 of the Constitution have been amended to reflect these requirements.

41. Evidence

- Council Constitution
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Report to Council (July 2016) on Annual Review of Constitution.
- Report to the Council on the transfer of the public health functions (March 2013)

42. Future

- Continue to undertake the annual review of the Constitution.

REQUIREMENT - Ensure that effective management arrangements are in place at the top of the organisation.

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43. By law and under Article 13 of the Constitution, the Chief Executive is required to report to full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of employees required for the discharge of functions and the organisation of employees. Similarly, the Chief Executive is responsible for advice to the Council and Cabinet on strategy, policy management and organisation.

44. Ensuring that effective management arrangements are in place and that there is effective succession planning, is a key role of the Chief Executive, which is discharged through:

- discussion with the Leader and Strategic Directors;
- the Contracts Committee, which is responsible for appraisal, remuneration and contracts of service for senior managers; and
- the Special Appointments Committee, which is responsible for the appointment of chief officers.

45. The Council has always recognised the need for its management arrangements to be efficient, effective, and responsive to current and foreseeable needs. This is achieved by ongoing review of those arrangements, and the development of appropriate proposals for change.

46. Evidence

- The Council Constitution
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Functional Review implemented from October 2014 and changes to the Senior Management Structure agreed by Council in December 2015.

47. Future

- Continue to review the Council Constitution annually.
- The Chief Executive and Strategy Group will continue to keep management arrangements and succession planning under review.

48. Under Article 13 of the Constitution, the full Council is required to engage a person to be Chief Executive and head of the Council's paid service. He/she is the head of the Council's employee structure and has authority over every employee. He/she is responsible for advice to the Council and Cabinet on strategy, management, policy and organisation. He/she reports to the Council on the manner in which the discharge of the Council's function is co-ordinated the number and grade of employees required for the discharge of the function and the organisation of employees.

49. Under Article 13 the Chief Executive has primary responsibility for ensuring that all decisions taken by the Council, the Cabinet or any other Council body are taken according to a proper process and after full consideration of all relevant facts and circumstances. She may call a meeting of the Council, Cabinet or any other Council body if she or the Monitoring Officer considers it necessary.

50. Also under Article 13 the Chief Executive may put any item on the agenda of the Council, Cabinet or any other Council body if it appears to be necessary and will be given the opportunity to comment on every report submitted to a decision-making body. The Monitoring Officer and the Chief Finance Officer can require a report to be taken to Cabinet or Council where they have concerns over the lawfulness of a Council decision, actual or proposed.

51. Evidence
- Council Constitution – articles 13 and 14
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

52. Future
- Keep the effectiveness of these arrangements under review.

REQUIREMENT – Make a senior officer (usually the Director of Finance) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper records and accounts, and for monitoring an effective system of internal financial control.

53. Under Article 13 of the Constitution, the Strategic Director, Corporate Resources is designated as the Council's Chief Finance Officer with responsibility for the administration of the Council's financial affairs under section 151 of the Local Government Act 1972. The Chief Finance Officer's (CFO) responsibilities are set out in Article 13 as:

- ensuring the lawfulness and financial prudence of decision making, with a duty to report to the Council and the external auditor if he/she considers that any proposal or decision will involve incurring unlawful expenditure,
- administration of the Council's financial affairs, including acting as the Council's designated Money Laundering Reporting Officer,
- contributing to corporate management,

- providing advice, particularly on financial impropriety, probity and budget and policy framework issues,
- giving financial information.

54. The CFO holds a relevant professional qualification and their core responsibilities include those as set out in the CIPFA Statement on the role of the CFO in Local Government. The CFO has a responsibility to ensure these principles and responsibilities are fully understood throughout the organisation.

55. The CFO leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The CFO also has a line of professional accountability for finance staff throughout the organisation.

56. Under the management of the CFO, budget guidance is issued on an annual basis and takes into consideration issues identified in the Medium Term Financial Strategy. The budget is loaded into the Council's financial ledger and both income and expenditure are monitored monthly by services and reported quarterly to Cabinet.

57. Evidence
- Council Constitution, article 13
  http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- CIPFA Statement on the Role of the CFO in Local Government.

58. Future
- Keep the effectiveness of these arrangements under review.

REQUIREMENT – Make a senior officer (usually the Monitoring Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other statements of good practice are complied with.

59. Under Article 13 of the Constitution, the Strategic Director, Corporate Services and Governance is designated as the Council's Monitoring Officer, with the following responsibilities:
- Ensuring the lawfulness of decision making, with a duty to report to the Council or Cabinet if he/she considers that any proposal or decision would give rise to unlawfulness.
- Conducting investigations into matters referred by ethical standards officers and making reports to the Audit and Standards Committee, and receiving reports from ethical standards officers and case tribunals.
- Acting as the proper officer for access to information.
- Maintaining the Constitution.
- Determining whether executive decisions are within the budget and the policy framework.
- Providing advice on a range of issues, including the scope of powers and authority to take decisions.
- Supporting the Audit and Standards Committee in promoting and maintaining high standards of conduct.

60. Evidence

- Council Constitution – article 13
  http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

61. Future

- Keep the effectiveness of these arrangements under review.

Local Code of Governance

REQUIREMENT – Ensuring councillors and officers exercise leadership by behaving in ways that uphold high standards of conduct and exemplify effective governance and also ensuring that organisational values are put into practice and are effective.

1. Councillors and officers strive to develop and maintain shared values, including leadership values both for the Council and its employees, reflecting public expectations about the conduct and behaviour of individuals and groups, within and associated with, the Council. The Council's values are formally expressed in the Council Plan 2015-2020.

2. The Sustainable Community Strategy "Vision 2030" and the Council Plan collectively set out the Council's vision, supported by its priorities over the next five years and more detailed service business plans.

3. Values of good governance are emphasised in training for councillors (ethics and probity) and officers.

4. **Evidence**
   - Review of Partnerships.
   - The corporate performance management framework
   - General Principles of Conduct for Members of Local Authorities.
   - Councillor Engagement and Development Framework.
   - Councillors' Code of Conduct – Code of Conduct for Councillors of Gateshead Council.
   - Development Control – Protocol on Good Practice.
   - Regulatory Committee – Protocol on Good Practice.
   - Licensing Committee – Protocol on Good Practice.
   - Code of Conduct for Local Government Employees – Gateshead Council.
   - Protocol on the Role of the Monitoring Officer.
   - Protocol on Councillor-Officer Relations.
   - Protocol on Petitions.
   - Constitution of the Council, Parts 1 to 4.
   - Counter Fraud and Corruption Policy
   - Statement on the Prevention of Bribery

5. **Future**
   - Review these arrangements in the light of Government policy proposals.

> **REQUIREMENT - Use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.**

6. The Council's success in regenerating the borough and in delivering high quality services has been built largely on positive relationships between councillors and officers based on shared values.

7. Evidence
- Ongoing training and development for councillors and officers.

8. Future
- Continue to keep these relationships under review.

> **REQUIREMENT – Develop and adopt formal codes of conduct defining the standards of personal behaviour.**

9. The Council has developed a number of formal codes of conduct to provide guidance to all those representing the Council across all areas. These codes ensure that everyone is aware of what is expected of them and what may be applicable in all situations.

10. Evidence
- As per paragraph 4 above, plus:
- Human Resources policies and procedures:
  - Appraisal and development – expectation, roles and responsibilities
  - Bullying, harassment and grievances including the Whistle Blowing Policy
  - the Counter Fraud and Corruption Policy and Statement on the Prevention of Bribery
  - Conduct, capability and disciplinary including the Whistle Blowing Policy
  - Equalities and Diversity
  - Health, Safety and Wellbeing
  - Data Protection, Freedom of Information and Communications including Computer Security Policy

11. Future
- Keep policies and procedures under review.

> **REQUIREMENT - Develop and maintain an effective Standards Committee which acts as the main means to raise awareness and take the lead in ensuring high standards are firmly embedded within the local culture.**

12. The Council has put in place arrangements to deal with the requirements of the Localism Act 2011 in respect of complaints. These include the establishment of an Audit and Standards Committee, which is responsible for maintaining high standards of conduct in the Council and for arranging training in the Code of Conduct (**see also paragraph 39, section 4**). The Council has also adopted a code of conduct for members of the Council.

13. Evidence

- Constitution Article 9, which sets out its role and function and includes the promotion and maintenance of high standards of conduct, training of councillors and monitoring the operation of the Councillors' Code of Conduct. It also contains specific commitments, at Article 9.04 for the Leader of the Council and the Chief Executive to "personally promote and maintain high standards of conduct among councillors, co-opted members and officers, and will liaise with the Audit and Standards Committee, from time to time, on how this is to be achieved".
- The track record on Ombudsman complaints and councillor investigations.
- Terms of reference of the Audit and Standards Committee.
- Agenda and minutes of the Audit and Standards Committee.

14. Future

- Review and re-provide training in the light of any changes to standards regime.

REQUIREMENT - Put in place arrangements to ensure that councillors and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.

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15. There are currently a number of national and local measures in place safeguarding against unfair bias, prejudice or conflicts of interest among employees and councillors when involved with stakeholders. These are set out in more detail in **paragraphs 10-13 of section 4**.

16. Evidence

- Councillor Engagement and Development Framework.
- General Principles of Conduct for Members of Local Authorities.
- Code of Conduct for Councillors of Gateshead Council.
- Development Control – Protocol on Good Practice.
- Regulatory Committee – Protocol on Good Practice.
- Licensing Committee – Protocol on Good Practice.
- Gateshead Council – Code of Conduct for Local Government Employees.
- Protocol – The Role of the Monitoring Officer.
- Protocol on Councillor/Officer Relations.
- Contract Procedure Rules.
- Gateshead Strategic Partnership Members Handbook – Membership Roles.
- Code of Conduct for Employees.
- Councillors' Register of Interests.

17. Future

- Keep the effectiveness of these arrangements under review.

REQUIREMENT - Put in place arrangements to ensure that the Council's procedures and operations are designed in conformity with appropriate ethical standards and to monitor their continuing compliance in practice.

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18. The Council's Monitoring Officer and his staff undertake a continuous overview of procedures, operations, plans and strategies to ensure that they comply with ethical standards.

19. The Chief Finance Officer also has arrangements in place to ensure that the systems and processes for financial administration, financial control and protection of the Council's resources and assets are designed in conformity with appropriate ethical standards. These procedures are also continuously monitored and are subject to regular testing by the Internal Audit Service.

20. Evidence
- Constitution Article 9: The Audit and Standards Committee
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Protocol – The Role of the Monitoring Officer.
- Constitution Article 14: Decision Making.
- Constitution Article 13: Employees of the Council.
- Constitution Article 3: Citizens and the Constitution.
- Constitution Article 2: Members of the Council.
- Constitution Article 1: The Constitution.

21. Future
- Keep the effectiveness of these arrangements under review.

REQUIREMENT - In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be alive and demonstrated by partners' behaviour both individually and collectively.

22. The Council pursues a partnership vision and can demonstrate this through a number of approaches set out in revised approaches to partnership working agreed by Cabinet and the GSP Steering Group in October 2011.

23. Evidence
- Review of partnership working (January 2015 - completed)

24. Future
- Adhere to Audit Commission guidance on the governance of partnerships, using External and Internal Audit as a critical friend, to refine approach.
- Keep arrangements under review.

Local Code of Governance

Section 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

REQUIREMENT – Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Authority's performance overall.

1. The Council has four overview and scrutiny committees, which between them cover all the activities of the Council. There are also two sub-committees – Corporate Parenting sub committee and a Community Safety sub committee. The Overview and Scrutiny Committees review decisions and call decision-makers to account; review the performance of council services; carry out policy reviews and review the activities of outside bodies whose actions affect the lives and well being of Gateshead residents. To ensure that scrutiny activity is co-ordinated and that the greatest value is extracted from the available resources, annual work programmes are drawn up and kept under review. This does not however preclude other, more urgent, items being added to the programme.

2. The Chief Finance Officer 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. The Accounts and Audit Regulations 2011 also require Councils to make provision for Internal Audit. It is the responsibility of the Chief Finance Officer and Chief Internal Auditor to ensure the Internal Audit Service is effective and adequately resourced. An annual review of the effectiveness of the system of internal audit is carried out and considered by the Audit and Standards Committee.

3. **Evidence**
   - Council Constitution – Article 6 and OSC procedure rules
   http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
   - Audit Charter
   - Annual review of the system of Internal Audit
   - Annual report of the Audit and Standards Committee to Cabinet
   - Review of the Council's Decision Making Structures (May 2014)

4. **Future**
   - Keep scrutiny arrangements under review.

> **REQUIREMENT – develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.**

5. All decisions of the Council, its committees and the Cabinet are based on full written reports which include all relevant evidence and reasons for adopting the proposed course of action, with details of any alternative options considered. These reasons are then recorded in the minutes of the body concerned.

6. Senior managers who take key decisions under delegated powers are required to make a record of the exercise of delegated function setting out, among other things, the reasons for their decisions.

7. All agendas and minutes are open to public inspection, subject to any lawful exemptions under access to information rules.

8. **Evidence**
   - Council constitution Article 14
   http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
   - Council protocol 3 – report formats and preparing reports.
   - Agendas and minutes of Council, Cabinet and committees.

9. **Future**
   - No specific action but procedures will be kept under review.

> **REQUIREMENT – put in place arrangements so that conflicts of interest on behalf of councillors and employees can be avoided and put in place appropriate processes to ensure that they continue to operate in practice.**

10. Councillors are required to register their interests (as defined in the Councillors' Code of Conduct) in a register maintained by the Monitoring Officer. They are also required to declare an appropriate interest when a matter in which they have an interest comes up for discussion at a meeting at which they are present.

11. The register of interests is regularly reviewed by the Monitoring Officer/Deputy Monitoring Officer.

12. Officers are subject to rules on conflicts of interest which are set out in the Code of Conduct for Employees and in Section 117 of the Local Government Act 1972. In addition, for some categories of post where there is an exceptionally high risk of conflict of interest, such as development control officers and auditors, there is a requirement to complete a register of interests.

13. The rules on conflicts of interest are reinforced in training sessions for both councillors and officers. The frequency with which councillors and officers approach the Monitoring Officer and her staff with enquiries about matters relating to interests suggests that they are aware of the importance of this issue.

14. Evidence
- Code of Conduct for Councillors.
- Code of Conduct for Employees.
- Councillors' Register of Interests.
- Statement on the Prevention of Bribery

15. Future
- Keep the effectiveness of these arrangements under review.

REQUIREMENT – put in place arrangements for whistleblowing to which staff and all those contracting with the authority have access.

16. The Council has a Whistleblowing Policy which is set out in the employee handbook.

17. The procedure has not specifically been extended to contractors although there is no reason why a relevant issue raised by a contractor could not be dealt with under the procedure.

18. Evidence
- Whistleblowing Policy

19. Future
- Keep under review.

REQUIREMENT – put in place effective transparent and accessible arrangements for dealing with complaints.

20. The Council has an effective complaints and compliments procedure, which allows complaints to be resolved at the most appropriate level:

   Step 1 -   an immediate response by the staff concerned with the aim of resolving the problem.

   Step 2 -   investigation by appropriate service manager.

   Step 3 -   review by the Chief Executive.

21. Further, the complainant is informed that if they are not satisfied with the outcome of the Chief Executive's review, they may take their complaint to the Local Government Ombudsman.

22. The complaints system is highly accessible. Complaints leaflets are made available at civic buildings throughout the Borough. Complaints may also be made via the Council's website.

23. The progress of responses to complaints is tracked through a computerised tracking system. A key objective of the procedure is to enable the Council to identify and learn from failures in service delivery. Ongoing monitoring of performance by service managers via the tracking system enables early identification of any service failure.

24. A designated officer in Corporate Services and Governance is responsible for monitoring the overall performance of the corporate complaints system, working with complaints officers in groups and services. An annual report is submitted to the Cabinet and the Corporate Resources Overview and Scrutiny Committee on the Council's performance in handling complaints, broken down by groups and services, and on lessons learned from complaints. The Scrutiny Committee holds individual service managers to account for the performance of their service in respect of complaints resolution and the delivery of service improvements.

25. With regard to complaints against councillors, the Monitoring Officer has been appointed as the Proper Officer to receive complaints of a failure by a councillor (the definition of which includes a co-opted member of the Council and a Parish councillor or co-opted member of the Parish Council) to comply with the code of conduct.

26. The Monitoring Officer has power, after consulting the Independent Person, to decide if a complaint merits formal investigation and, if it does, to arrange such investigation.

27. The Monitoring Officer is required to seek resolution of complaints without formal investigation wherever practicable but has discretion to refer decisions about investigations to the Audit and Standards Committee where he feels it is inappropriate to make the decision.

28. In deciding if a complaint should be investigated the Monitoring Officer will take into account a pre-set assessment criteria.

29. If an investigation takes place but finds no evidence of a failure to comply with the code, the Monitoring Officer will consult the Independent Person about the investigation report and its findings and report the findings to the Audit and Standards Committee who may decide that a hearing is nevertheless called for. A copy of the report will be provided to the complainant and the councillor concerned.

30. If an investigation finds evidence of a failure to comply with the Code, the Monitoring Officer, in consultation with the Independent Person, will report the findings to the Audit and Standards Committee for a local hearing.

31. Evidence
- Council complaints and compliments form "Have Your say".
- Annual reports on the Council's corporate complaints system.
- The Audit and Standards Committee's delegated powers.

32. Future
- The effectiveness of arrangements to be kept under review.

REQUIREMENT – Develop and maintain an effective audit committee, which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of these functions.

33. In May 2006 the Council established an audit committee to take an overview of the Council's arrangements for audit and risk management. It meets seven times a year

and is supported by the Strategic Director, Corporate Resources and the Chief Internal Auditor.

34. In May 2014, the Council undertook a review of its decision making structures merging the Audit and Standards Committee. Its terms of reference are set out in the Council's constitution. Membership of the committee is politically balanced and includes three independent persons. There can be no more than two Cabinet members on the committee, and its chair cannot be either a Cabinet member or an Overview and Scrutiny Committee chair.

35. Evidence
- Terms of reference of the Audit and Standards Committee.
- Agenda and minutes of Audit and Standards Committee.
- Annual Report of the Audit and Standards Committee to Cabinet.
- Annual review of the effectiveness of Internal Audit including the Audit and Standards Committee
- Review of the Council's Decision Making Structures (May 2014)

36. Future
- No specific action required but the effectiveness of the Audit and Standards Committee should be kept under review.

REQUIREMENT – develop and maintain an effective Standards Committee, which lies at the heart of decision-making and awareness raising on standards issues.

37. The Localism Act 2011 came into force on 15 November 2011. The Act contained provisions to abolish the current standards regime including Standards Board for England, the prescribed Code of Conduct and Compulsory Standards Committees and Sub-Committees. These provisions came into force on 1 July 2012.

38. The Act introduces a duty on Councils to "promote and maintain high standards by members and co-opted members of the Authority.

39. The requirement to have a Standards Committee and Sub-Committees, with the powers provided by legislation, was removed. However, the Council agreed to set up a politically balanced Standards Committee, as it was felt that in the light of the statutory duty to maintain high standards, that there would be standards issues such as receiving investigation reports, to deal with. The Council subsequently agreed to merge the Audit and Standards Committee in May 2014.

40. Evidence
- Council Constitution, article 9
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Delegated powers of Audit and Standards Committee.
- Agendas and minutes of Audit and Standards Committee.
- Review of the Council's Decision Making Structures (May 2014)

41. Future

- Continue to monitor the business of the Audit and Standards Committee.

> **REQUIREMENT – ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.**

42. All reports to decision-making bodies are required to include a formal justification for the proposed action to be taken, including explanations of technical matters.

43. The Council operates a system for ensuring that reports are included on agendas in a timely fashion and only after full consultation. Reports must be submitted to Democratic Services by the due date with a covering sheet, showing, among other things, who has been consulted.

44. Evidence

- Council Constitution, Article 14

http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

- Council Protocol 3 – report formats and preparing reports.

45. Future

- No specific action but the effectiveness of these arrangements should be kept under review.

> **REQUIREMENT – develop and maintain effective arrangements for determining the remuneration of senior staff.**

46. There is a pay structure for Service Directors which was established following job evaluation and market advice from an external consultant.

47. The Council has a Contracts Committee, made up of the most senior councillors, which is responsible for appraisal, remuneration and contracts of service for senior managers.

48. Evidence

- Agenda and minutes of Contracts Committee (note – these are confidential).
- Pay structure for senior management as set out in the Council's pay policy statement which is required in accordance with Section 38(1) of the Localism Act 2011

49. Future

- The effectiveness of these arrangements should be kept under review.
- Annual review of the Council's pay policy statement.

> **REQUIREMENT – ensure that professional advice on legal and financial matters is available and recorded well in advance of decision-making and used appropriately when decisions have significant legal or financial implications.**

50. Officers are required, when preparing reports, to consult the Strategic Director, Corporate Services and Governance and Strategic Director, Corporate Resources on the legal and financial implications of those reports respectively. The covering sheet for reports (paragraph 43) must state which officers have been consulted. The Council's standard format for Cabinet reports includes a standard paragraph on financial implications, which must be completed by a representative of the Strategic Director, Corporate Resources.

51. Chief Financial Officer future decision-making is supported by the Medium Term Financial Strategy (MTFS) and level and adequacy of reserves; considered as part of the annual refresh of the MTFS and as part of final accounts in accordance with CIPFA's Local Authority Accounting Practice Bulletin No. 99. In addition, budgeted use of reserves is managed and reviewed as part of the annual budget setting process.

52. Evidence
- Council Constitution, Article 14
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Council Protocol 3 – report formats and preparing reports.

53. Future
- No specific action but the effectiveness of these arrangements should be kept under review.

> **REQUIREMENT – ensure that risk management is embedded into the culture of the authority, with councillors and managers at all levels recognising that risk management is part of their job.**

54. Risk management is embedded into the culture of the Council, with councillors and managers at all levels recognising that risk management is part of their job. Risk management is closely aligned to the Council's strategic objectives with a clear focus on those significant risks that would prevent the Council achieving its key business objectives.

55. At service level, managers are able to identify and manage those operational risks that could inhibit the effective delivery of services to users.

56. The Council's risk management arrangements are sufficiently flexible to respond to the dynamic nature of its operating environment in terms of risks, which evolve due to changes in objectives and service delivery arrangements or in response to local issues or national policies.

57. The Council has approved a Corporate Risk Management Policy, which is subject to an annual review.

58. The Risk Management Policy includes the requirement to:

- identify strategic and operational risks
- assess the risks for likelihood and impact
- identify mitigating controls
- allocate responsibility for the mitigating controls.

59. The Council maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk. The risks identified from within partnerships and other joint working arrangements are identified both as part of this process and in the case of partnership risks, also identified within specific partnership risk registers. The risk register is supported by a series of Service risk registers that identify and assign the lower level operational risks.

60. The Audit and Standards Committee has specific responsibility included in its terms of reference to review the Council's arrangements both for corporate risk management and for reviewing the effectiveness of its system of internal controls, both financial and non-financial.

61. All reports for decision-making highlight the risk management implications of the proposal. Project initiation documents contain a full risk assessment and identify risk control measures that will mitigate any associated risk.

62. The Council's risk management process, which is underpinned by its Risk Management Policy, is reviewed comprehensively on an annual basis. Quarterly realignment reviews are also conducted to facilitate in-year development and adherence to best practice.

63. Corporate risk management awareness training is provided for all councillors with additional guidance provided, where appropriate, for councillors with specific responsibility for risk management, i.e. members of the Audit and Standards Committee. Training is delivered both via external risk management practitioners and in-house expertise.

64. As regards employees, risk management awareness is an integral part of the Council's Employee/Management Competency Framework. To this end a comprehensive employee training programme has been developed to facilitate dedicated training to Service Directors and other senior managers as well as to all other appropriate staff. Specific training programmes have also been developed for Service Risk Co-ordinators who act as local risk champions, business continuity planning and for managers engaged in partnership working on managing the inherent risks of such a delivery vehicle. Training is delivered via external risk management practitioners and in-house expertise.

65. The Audit and Standards Committee, as the responsible councillor committee, receive quarterly reports on risk management and take appropriate action to ensure that corporate business risks are being actively managed, reporting to Council as appropriate. The Audit and Standards Committee also receive the Annual Corporate Risk Management Report and agree the soundness of the Council's risk management arrangements as part of the Annual Governance Statement.

66. Under the Council's Constitution (Financial Regulation 16.1), the Strategic Director, Corporate Resources is the designated senior officer champion with the overall responsibility for embedding risk management throughout the Council.

67. Evidence
- Corporate Risk Management Policy.
- Audit and Standards Committee terms of reference.
- Audit and Standards Committee agendas and minutes.
- Risk Management Group agendas and minutes.
- Strategic and Operational Risk Registers.
- Business Continuity Plans.
- Service Business Plans.
- Training and development records.
- Annual corporate risk management reports.
- Reports for decision-making.
- Project initiation documents.
- Annual Governance Statement.

68. Future
- Continue annual reviews of the Corporate Risk Management Policy.
- Keep training for councillors and officers under review.

REQUIREMENT – actively recognise the limits of lawful activity placed on them by the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.

69. This is dealt with through the full and early involvement of the Strategic Director, Corporate Services and Governance and senior legal staff in all major council projects, so that they can identify any issues of vires but at the same time seek out practical and lawful solutions to the benefit of the community.

70. The Council's record in promoting and implementing imaginative regeneration and cultural projects suggests that it has been successful in addressing these issues.

71. Evidence
- Council Constitution, Article 14
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

72. Future
- No specific action but the effectiveness of these arrangements should be kept under review.

> **REQUIREMENT – Observe all specific legislative requirements placed on them, as well as the requirements of general law, and in particular to integrate the key principles of administrative law – rationality, legality and natural justice – into their procedures and decision-making.**

73. As with the previous requirement, this is dealt with through the full and early involvement of the Strategic Director, Corporate Services and Governance and senior legal staff in all major issues, so that they can contribute their expertise in these matters.

74. **Evidence**
   - Council Constitution, Article 14
   http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

75. **Future**
   - No specific action but the effectiveness of these arrangements should be kept under review.

> **REQUIREMENT – when working in partnership, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation.**

76. The Council recognises the importance of ensuring each partnership in which it is involved has suitable governance arrangements which make clear each of the partner's respective roles and responsibilities. This applies to all forms of partnership working, with the complexity of each partnership's governance arrangements depending upon the nature of the relationship (e.g. pooling of resources will usually warrant more robust arrangements than a partnership based on information sharing and co-ordination of activity). The Council has developed a Partnerships Register, which documents all existing partnerships involving the Council and records (along with other information) the nature of their governance arrangements. The Register is kept under review and updated as appropriate.

77. **Evidence**
   - Partnerships Register.

78. **Future**
   - The register will continue to be reviewed annually and updated as appropriate.
   - The effectiveness of this arrangement should be kept under review.

> **REQUIREMENT – when working in partnership, ensure that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any local authority rules/codes or comply with any rules/codes developed for the purpose of that partnership.**

79. The Council's service planning process will meet this requirement by keeping under review the performance of each partnership in complying with the Council's policies and procedures, as well as effectively meeting its priorities. In accordance with the relevant Council Protocol, the Council's lead officer for each partnership will be responsible for the

Council's involvement in that partnership and in particular will ensure that all proposals, plans and strategies are reported to the Cabinet and Council, as necessary, for approval. Lead officers must keep full records of all persons attending, issues discussed and decisions made at partnership meetings, and should brief senior officers on partnership activities as necessary (including compliance with policies and procedures). Officers are required to bring to the attention of senior officers any issues, which might have significant implications for the Council.

80. Evidence
- Service Business Planning process.
- Council Protocol 15 – Partnership Working.

81. Future
- The effectiveness of these arrangements should be kept under review.

> **REQUIREMENT – when working in partnership, ensure that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners must ensure that:**
>
> - **The partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and well-reasoned decisions are made.**
> - **Risk is managed at a corporate and operational level.**

82. In relation to Gateshead Strategic Partnership (GSP), all agendas and minutes are published on the Council's website. Meetings are not open to the public. This is in accordance with the operational arrangements agreed by the GSP.

83. As stated above, each partnership has a Council lead officer who will, where the Council is the lead partner, ensure that the partnership receives good quality advice and support from the Council, and receives appropriate information on the views of citizens and stakeholders. Where another organisation is the lead partner, the lead officer will seek to ensure that the lead partner provides a similar level of advice, support and information; and where any lack of such support is at risk of impacting upon the partnership's performance, the lead officer will raise this with senior officers so that it can be discussed with the lead partner at the appropriate level.

84. As regards risk management, the Council's Corporate Risk Management Policy ensures that risk within all partnership working is managed at a corporate and operational level, by requiring clear reporting procedures and regular risk reviews.

85. Evidence
- Gateshead Council Corporate Risk Management Policy.

86. Future
- The effectiveness of these arrangements should be kept under review.

Local Code of Governance

Section 5 - Developing the capacity and capability of councillors to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively.

REQUIREMENT – Making sure that councillors and officers have the skills, knowledge, experience and resources they need to perform well in their roles.

1. The Council is committed to ensuring that its councillors and employees have opportunities to continuously adapt to improve service delivery, and to meet the challenges and changes faced in line with external drivers.

2. A Councillor Engagement and Development Framework had been developed to ensure that councillors have the knowledge and skills to carry out their role effectively, to represent their wards and the Council and contribute to internal and external forums.

3. To support the Council's strategic priorities, there will be a process for identifying learning and development needs at all levels
   - Individual.
   - Role specific/constitutional.
   - Corporate.

4. The Councillor Support and Development Group ensures that the effectiveness of training for councillors is reviewed regularly and training needs can be discussed with officers.

5. Every councillor is given the opportunity to have an individual development interview to help them complete a personal development plan (PDP), which enables them to focus their development requirements based on their existing skills and experience levels, as well as looking at specific roles within the Council eg chair or vice chair of a committee or decision making committee.

6. Role descriptors have been drawn up for all councillors' roles to ensure that councillors are aware of what is expected of them, and these can be also referred to within their PDP meeting.

7. Appraisal and Development (A&D) is the name of Gateshead Council's appraisal scheme. All employees have an annual A&D interview with a six monthly follow up. It is a review and planning process where managers and employees get together to discuss past performance and plan for the future and everyone gets feedback on how they are doing, understands how their work is linked to the objectives of the Council, and receives the right guidance, support and development. Training needs for the next 12 months are specifically discussed. A review of the current A&D scheme was undertaken in 2016 and a new A&D scheme with training for managers will be launched in 2017.

8. **Evidence**
   - The A&D scheme (2016 update)
   - The Learning and Development Policy.
   - Councillors' Personal Development Plan.
   - Councillors' Support and Development Group.
   - Councillor Engagement and Development Framework.
   - Councillors' Role Descriptors.
   - Protocol for Councillors' Learning and Development

9. **Future**
   - Continue to review councillors' training needs on a regular basis.
   - Implement revised A&D scheme in 2017.

REQUIREMENT – Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.

10. There are three statutory officers within the Council, the Head of Paid Service (Chief Executive), the Monitoring Officer (Strategic Director, Corporate Services and Governance) and the Chief Finance Officer (Strategic Director, Corporate Resources).

11. All three officers would be expected, on appointment, to hold relevant professional qualifications and have substantial local government experience but are given further development through seminars and conferences organised by their respective professional bodies. The roles are understood at certain levels of employees within the Council and form part of management training. Action is undertaken to give wider knowledge throughout the Council through articles in the Team Brief, the corporate briefing sessions and as part of the corporate induction process.

12. **Evidence**
   - Council Constitution – Article 13
   http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
   - Protocol on Role of the Monitoring Officer.

13. **Future**
   - Continue to develop proposals for ensuring that the roles of the statutory officers are more widely understood.

REQUIREMENT – Provide induction programmes tailored to individual needs and opportunities for councillors and officers to update their knowledge on a regular basis.

14. All new councillors are offered an induction programme. It is a series of sessions with officers that take place in the weeks following election and is intended to help councillors:
   - find out their basic rights and responsibilities,
   - start the process of learning about the Council,
   - establish their learning and development needs to inform their future development and influence the range of activities that are offered.

15. The induction programme contains a range of information including:
    - How the Council works;
    - Ethics and Probity;
    - Race;
    - Equalities and Diversity;
    - Health and Safety;
    - Local Government Finance;
    - Meeting senior management;
    - Participation on panels and committees;
    - Details of allowances and expenses;
    - IT requirements.

16. All councillors are required to attend the following training, at least once during their term:

    - Ethics, probity and Code of Conduct
    - Training relating to committee membership
    - Equalities
    - Children's and Adults Safeguarding
    - Emergency Response

17. Councillors also have the opportunity to update their knowledge by attending in house seminars and training, as well as external conferences and courses relevant to their needs and positions of responsibility within the Council.

18. The Council's induction programme applies to all employees newly appointed to a vacant position. This includes external appointments and existing employees changing jobs within the organisation. It is the responsibility the employee's line manager to plan and organise a programme that will introduce the employee in a relevant way to their immediate working environment and their job including colleagues, expectations of conduct and performance. The "Manager's Guide to Induction" is available to assist in this process.

19. Officers' needs to update their knowledge are discussed as part of the A&D process. These needs are met through a mixture of in-house and external training.

20. **Evidence**
    - Induction programme for Councillors.
    - The Managers Guide to Induction.
    - Protocol for Councillors' Learning and Development.

21. **Future**
    - Continue to review the councillor induction process.
    - Continue to review the corporate induction.

> **REQUIREMENT – Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.**

22. A wide range of methods is used to meet learning and development needs for individuals and groups using both internal and external resources. Internal methods include:
    - access to Intranet
    - e-learning
    - training courses
    - mentoring
    - briefing sessions
    - briefing notes
    - seminars

    The above methods provide up-to-date information on a variety of issues, including new legislation, policies and procedures.

23. External methods include:
    - national leadership programmes,
    - peer support/councillor mentoring,
    - focussed visits,
    - workshops,
    - regional and national training courses,
    - seminars and conferences.

24. The Council achieved the North East Charter for Elected Member Development which ensures the embedding of good practice, stakeholder involvement, and further focus councillor training and development activity. The Councillors' Support and Development Group plays an important role in identifying councillors training needs and meets on a quarterly basis.

25. The Council has a Workforce Plan that ensures employees at every level are equipped with the skills and competencies required to perform effectively in their role and deliver effective services.

26. Council employees have their needs identified through A&D and the service planning process. Needs are met in a variety of ways including:
    - leadership development,
    - management development programmes,
    - training courses,
    - qualification training,
    - workshops,
    - e-learning packages,
    - seminars and conferences.

27. With regard to training for scrutiny, both councillors and officers participate in courses arranged by NEREO and other internal and external courses. The Council is a member

of the NEREO Scrutiny Network and is therefore well placed to take advantage of these training opportunities.

28. Evidence
- A&D.

29. Future
- Keep the current arrangements under review.

REQUIREMENT – Put in place arrangements for reviewing performance of the executive as a whole and of individual councillors and agreeing an action plan, which might for example aim to address any training or development needs.

30. There is no formal process for reviewing the performance of Cabinet members but there is the opportunity for individuals to identify development needs as set out above. Role descriptors have been agreed for all councillors' roles.

31. Evidence
- There is a system for appraising Strategy Group and Service Directors based on the corporate A&D process which is subject to review. Other managers are appraised as part of the A&D process.
- Councillors' Personal Development Plans.

32. Future
- Keep role descriptors under review.
- Implement the revised A&D system.

REQUIREMENT – Put in place effective arrangements designed to encourage individuals from all sectors of the community to engage with, contribute to and participate in the work of the authority.

33. The Council has established four Partnership Boards and developed approaches to area and neighbourhood working that encourage the involvement of all sectors of the community by ensuring councillors' community leadership role.

34. The Council also actively encouraged other groups such as the Gateshead Youth Assembly and the Gateshead Older People's Assembly, to become established and to engage with the Council on a wide range of issues.

35. The membership of the Diversity Forum has increased in recent years reflecting the diverse communities in Gateshead.

36. The Council has developed an online Consultation Portal to enable residents, businesses and stakeholders to contribute to consultations to inform the decision-making process.

37. Evidence
- Terms of reference of Partnerships.

38. Future
- Keep arrangements under review to ensure their effectiveness.

REQUIREMENT – Consider career structures for councillors and officers to encourage participation and development.

39. There are no specific career structures for councillors at present. However, a set of role descriptors have been developed for councillors, which, along with PDPs, assist in identifying development needs and encourage participation in development events.

40. For some officers there are career structures but only up to a certain level. Senior and middle managers are developed through specific development programmes, PSA master classes, coaching and mentoring schemes. Succession planning and talent management strategies continue to be developed.

41. **Evidence**
    - Appraisal and Development.
    - Workforce Plan
    - Councillors' Personal Development Plans.

42. **Future**
    - Continue to review councillors' role descriptors as required.
    - Continue to develop succession planning and talent management strategies.

REQUIRED – When working in partnerships, ensure that partners individually, and the partnerships collectively, share responsibility for appointing people to the partnerships who have the required skills and are at an appropriate level.

43. **Section 2, Paragraphs 28-31,** of this Local Code of Governance sets out how the Council will take steps to facilitate effective partnership working. The Gateshead Strategic Partnership carried out an audit, which included capacity and learning issues. Since then, individual partners have carried out self-assessments and produced learning and development plans.

    Findings from the 2011 review of partnership working highlighted the need for streamlined partnership structures which maximised the role and capacity of organisational representatives.

44. **Evidence**
    - Council Plan 2015-2020.
    - Gateshead's Sustainable Communities Strategy "Vision 2030".
    - Council Constitution
    http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx

45. **Future**
    - Respond to learning and development needs through the implementation of revised partnership structures.

Local Code of Governance

REQUIREMENT – Make clear to themselves, all staff and the community, to whom they are accountable and for what.

1. The Council's vision (shared by the GSP), priorities and values are articulated in the Council Plan. Performance against the priorities is reported at six monthly intervals to Overview and Scrutiny Committees and to Cabinet.

2. The Council Plan 2015-2020 identifies the Council's values which define how we work as a Council and help to inform important decisions and choices:
   INTEGRITY
   We will always work with integrity – demonstrating fairness and respect every day and in every way
   INCLUSIVE
   We will be inclusive – ONE COUNCIL working together and engaging people to get better results and ensure equality of opportunity
   INSPIRATIONAL
   We will be inspirational – thinking creatively, being dynamic and motivating and empowering everyone to do the things that make a real difference for the people of Gateshead.

3. The Service Charter sets out the Council's commitments for the services delivered and the standards expected.

4. We must ensure we consider institutional stakeholders, recognising who they are accountable to and assess the effectiveness of the relationships and any changes that may be required.

5. **Evidence**
   - Council Plan 2015-2020.
   - Annual Report.
   - Local Decision Making and Voting Charter.

6. **Future**
   - Keep under review.

REQUIREMENT – Establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively.

7. The Council has a strategy to develop quality communications (communications which are fit for the intended purpose) with all of its stakeholder groups, the public, service

users, councillors, employees, trade unions and other statutory and independent agencies (including press and media and all specialist and external groups within these categories). Improving its communications will make the Council better able to inform and involve its stakeholder groups, target its resources, be responsive, carry out its statutory functions and duties effectively, and be clear and accountable in its decision-making.

8. Evidence
- Communications policy statement.
- Communications strategy and action plan.
- Protocol for Communicating and Consulting with Councillors.
- Media Training has taken place with senior councillors and officers.

9. Future
- Take forward the actions identified in the Communications Strategy Action Plan.
- Strengthen communications planning across the Council by a detailed annual communications plan.

> **REQUIREMENT – Put in place arrangements to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.**

10. The Council is pro-active in its approach to community engagement. Our aim is to ensure all local people are well informed about the Council; actively involved in service planning and development, and able to influence what happens in their local area.

11. When the Council is consulting with residents and other stakeholders we will, whenever possible:
- Make it clear what the consultation is about and why we are seeking views.
- Choose the most appropriate method(s) of consultation for the intended audience.
- Raise awareness of consultations in the most effective way, make it as easy as possible to take part and ensure that we provide enough time and information for people to give their views.
- Consult at a time when proposals are still at a formative stage so views can be listened to and considered before making decisions. *
- Carefully analyse consultation responses so that results are accurate and reliable
- Publish consultation results and provide feedback on any decisions taken or next steps.
- Monitor and evaluate the effectiveness of our consultations so that we can continue to improve.
- Work in a co-ordinated and joined up way within the council and with our partners to ensure that consultations are carried out in the best way possible.

12. It is the role of councillors to make decisions. These are based on a number of factors including results from consultations, government legislation or guidance, the needs of different groups now and in the future and the Council's available budget..

13. As well as consulting with residents on specific issues, we work in partnership to carry out longer term engagement. This involves working closely with communities to ensure that they are empowered, supported and developed to be involved in decisions that affect their lives. The Gateshead Communities Together Strategy – 'Nothing about the community without the community' sets out how the Council and partners work together to achieve this.

14. **Evidence**
   - The Council's Consultation Principles.
   - The Gateshead Communities Together Strategy (framework agreed 20/02/2017).
   - Details of consultations carried out and feedback

15. **Future**
   - Continue to monitor the effectiveness of the arrangements.
   - Refresh of Gateshead Communities Together Strategy (2017)

> **REQUIREMENT – Establish a clear policy on the types of issues they will meaningfully consult or engage with the public and service users including a feedback mechanism for those consulted.**

16. The Council aims to consult and engage local people to seek their views on proposed changes to council services, plans, policies and other important decisions that affect their lives.

17. The Council's approach to consultation is set out in our Consultation Principles **(see section 6, paragraph 11)**. This ensures that consultation is undertaken in a consistent and meaningful way. .

18. The Council's ethos of openness and accountability leads to a number of issues being consulted on in a co-ordinated way. The Council Budget and Priorities are regularly consulted upon and innovative approaches are used to consult on local issues to form Neighbourhood Plans. Consultation is an integral part of any project plan, large or small, such as the Town Centre or resident parking schemes.

19. The Council's consultation principles complement and support the role that councillors have within communities, ensuring that individual and community views on specific issues help inform Council decisions. Effective consultation can help councillors achieve a greater understanding of the views of the residents they represent, on a wide range of issues. This in turn can help them to decide how to respond to conflicting views of consultees. It is the councillors' role to take into account the views of residents along with other factors such as resources, statutory requirements and the views of partner organisations when facing decision making situations.

20. There is an ongoing programme of consultation and engagement which includes:

- "Viewpoint" - the Council's online Residents Panel, where residents tell us what they think about Council services and issues that affect them and their local area. This is carried out using a combination of online surveys and discussion groups.
- Specific forums for user groups e.g. tenants, business and diversity.
- Reviews of services, including Scrutiny – with consultation a key component.
- Council News, the Council's newsletter, reaching 88,000 households includes details of key consultations and provides feedback.
- Council's online consultation system – providing access to current and past consultations on the Council's website. This includes the ability to sign up to receive consultation email 'alerts'.
- 'Gateshead Now' monthly e-news introduced to communicate with residents and raise awareness and engagement in consultations.

21. Feedback includes articles in Council News, press releases and individual feedback through forums and existing mechanisms such as the Council's website. The corporate consultation system provides a standard consultation feedback template to provide easy access to feedback from past consultations.

22. Evidence
- The Council Plan 2015-2020.
- The Council's Consultation Principles.
- Details of consultations carried out and feedback

23. Future
- Continue to review the Council's approach to consultation and communication with hard to reach groups.
- Further development of the corporate consultation system and expansion of the Viewpoint Online Residents Panel.

REQUIREMENT - Put in place effective systems to protect the rights of staff. Ensure that policies for whistle blowing which are accessible to staff and those contracting with the authority, and arrangements for the support of whistleblowers, are in place.

24. The Council has an agreed Workforce Strategy which aims to ensure that it has an engaged and empowered workforce, equipped with skills and knowledge to deliver the best possible outcomes for our customers and confident in the responsibilities they have.

25. The Council is determined to ensure that its employees provide the best levels of service and act properly. The whistleblowing policy gives employees the chance to draw attention to concerns about wrong or unacceptable practice. **See also section 4, paragraphs 16 to 19.**

26. Evidence
- The Workforce Strategy (approved by Council in July 2015).
- The Whistleblowing Policy.
- The Bullying and Harassment Policy.

27. Future
- Continue to review the effectiveness of the code, policy and strategy.

REQUIREMENT – Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.

28. Engaging with employees at all levels and consulting them over key decisions promotes innovation and joint problem solving and encourages people to embrace change. To support this, the Council aims to modernise and improve employee relations, structures and processes and work in close partnership with Trade Unions. Whilst addressing employee relations through traditional consultative bodies and formal working groups has been largely successful, this approach needs to be modernised and streamlined.

29. We will evaluate our progress in achieving the vision and strategic aims through regular 'health checks' with our customers and users and employee attitude surveys.

30. We have relaunched a corporate Employee Forum in 2016 to increase internal communications and engage with officers.

31. Evidence
- Council's Constitution – Article 14 Decision Making
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Workforce Strategy (approved by Council in July 2015).
- Employee attitude survey.
- Team briefs.

32. Future
- Keep arrangements under review.
- Internal Communications Review - 2017

REQUIREMENT – Produce an annual report on scrutiny function activity.

33. Update reports are considered at Overview and Scrutiny Committees every six months detailing the impact of scrutiny reviews.

34. An annual report on the work of all non-executive committees, including the scrutiny committees, is prepared and circulated to all councillors. The work of the Overview and Scrutiny function also feeds into the Council's Annual report.

35. Evidence
- Six monthly updates to Overview and Scrutiny Committees and Cabinet.
- Article 6 of the Council Constitution
http://www.gateshead.gov.uk/Council%20and%20Democracy/Councillors-and-committees/Constitution.aspx
- Annual report on the work of the non-executive committees.

36. Future
- Review arrangements for the content and publication of the annual report on the work of non-executive committees.

> **REQUIREMENT - Ensure that the authority as a whole is open and accessible to the community, service users and its staff and sure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.**

37. Citizens have a number of rights in their dealings with the Council. These are set out in more detail in Article 3. Some of these are legal rights, whilst others depend on the Council's own processes.

    Citizens have the right to:
    - vote at local elections if they are registered;
    - contact their local councillor about any matters of concern to them;
    - obtain a copy of the Constitution;
    - attend meetings of the Council, Council committees and decision-making meetings of the Cabinet except where personal or confidential matters are being discussed;
    - petition to request a referendum on a mayoral form of executive;
    - participate in the Council's question time and present petitions to the Council meeting;
    - find out, from the Cabinet's schedule of decisions, what major decisions are to be discussed by the Cabinet or decided by the Cabinet or officers, and when;
    - see reports and background papers, and records of decisions made by the Council, its committees and the Cabinet, subject to rules on disclosure of personal or confidential information;
    - access recorded information held by the Council under the terms of the Freedom of Information Act 2000;
    - take the matter up through the Council's complaints procedure if they are dissatisfied with the standard of service provided by the Council or with the actions (or lack of action) of the Council or its employees;
    - complain to the Ombudsman if they think the Council has not followed its procedures properly. However, they should only do this after using the Council's own complaints procedure;
    - complain to the Monitoring Officer if they have evidence which they think shows that a Councillor has not followed the Council's Code of Conduct; and
    - inspect the Council's accounts, ask the Council's external auditor questions about the accounts and make objections to the accounts in accordance with the law.

38. To ensure that the Council complies with its obligations under the Freedom of Information Act, the Council has appointed an Information Rights Officer and has designated information champions within each group of services. An annual report on performance in dealing with FOI requests is submitted to the Corporate Resources Overview and Scrutiny Committee.

39. Democratic Services employees are trained and experienced in the legal requirements regarding access to committee papers and in practice reports are only excluded from the public part of Cabinet/Committee agendas when there is an overriding requirement for confidentiality.

40. The Council has followed the key principles of transparency set out in the

Code of Recommended Practice for Local Authorities on Data Transparency since January 2012, as shown on the finance section of the Council's website.

41. Evidence
- Access to Information rules.
- Freedom of Information Act statement.
- Data protection statement.
- Budget and policy framework rules.
- Finance section of the Council's website.

42. Future
- Continue to develop access to services, including improving and increasing digital access where appropriate.

> **REQUIREMENT - When working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.**

43. The Council works in partnership to carry out longer term engagement. This involves working closely with communities to ensure that they are empowered, supported and developed to be involved in decisions that affect their lives. The Gateshead Communities Together Strategy – 'Nothing about the community without the community' sets out how the Council and partners work together to achieve this. This strategy shares a commitment to the Council's consultation principles **(see section 6, paragraph 11)**.

44. The Council, with its partners, is continuing to develop systems for accessing and sharing data and intelligence. This includes the Council's consultation system, enabling better management and coordination of consultation activity, new and innovative ways of involving local people and more robust feedback mechanisms.

45. Evidence
- The Council's Consultation Principles.
- The Gateshead Communities Together Strategy (framework agreed 20/02/2017).
- Guide to working in partnership.
- Details of consultations carried out and feedback
- Consultation programme around the development of the Sustainable Community Strategy "Vision 2030".

46. Future
- Further development of the corporate consultation system involving Council services and partners of the GSP.
- Refresh of the Gateshead Communities Together Strategy - 2017

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Shehla Husain	*Department for Communities and Local Government (DCLG)*

Solace, the Society of Local Authority Chief Executives and Senior Managers, is the representative body for senior strategic managers working in the public sector. We are committed to public sector excellence. We provide our members with opportunities for personal and professional development and seek to influence the debate about the future of public services to ensure that policy and legislation reflect the experience and expertise of our members.

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Introduction

1.1　Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.

1.2　It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

1.3　The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

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

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

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

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

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Requirements

3.1 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements

- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness

- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

3.2 The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

3.3 To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

3.4 It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

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Applicability and terminology

APPLICABILITY

4.1   The Framework is for all parts of local government and its partnerships, including:

- county councils
- district, borough and city councils
- metropolitan and unitary councils
- the Greater London Authority and functional bodies
- combined authorities, city regions, devolved structures
- the City of London Corporation
- combined fire authorities
- joint authorities
- police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
- national park authorities.

4.2   The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

TERMINOLOGY

4.3   The terms 'authorities', 'local government organisations' and 'organisations' are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.

4.4   In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as 'leader' should be interpreted as relating to the PCC or the chief constable as appropriate.

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Guidance notes

5.1   In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:

- local government in England (excluding police)
- local government in Wales (excluding police)
- police in England and Wales
- local government in Scotland.

5.2   The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

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The principles of good governance – application

DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

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

Achieving the Intended Outcomes While Acting in the Public Interest at all Times
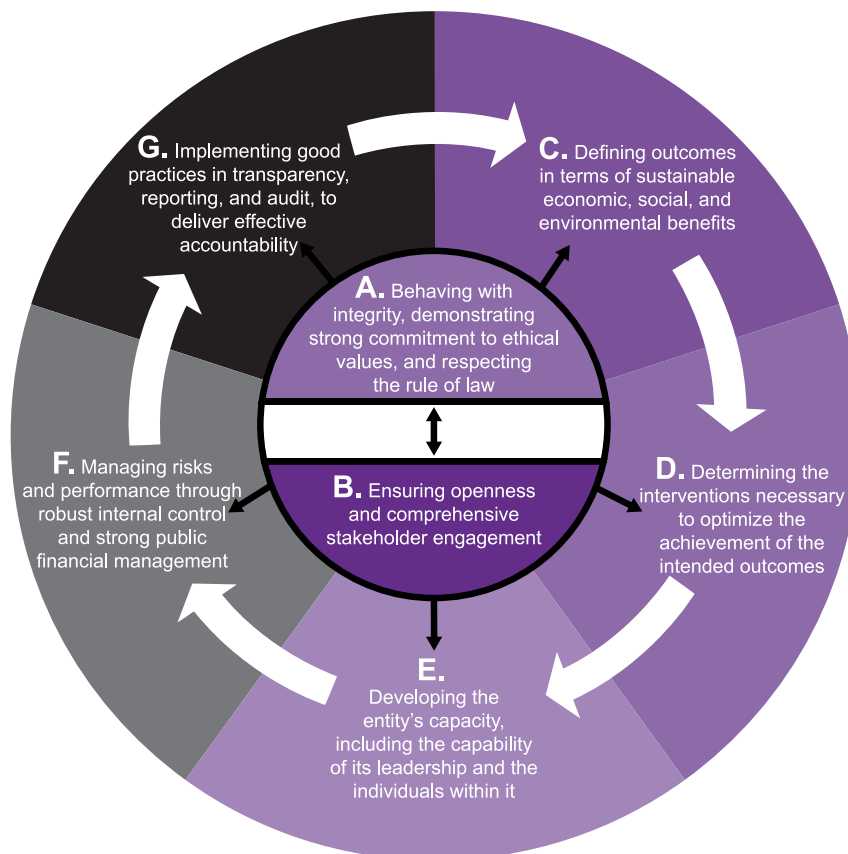
The International Framework notes that:

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

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DEFINING GOVERNANCE

6.2   The International Framework defines governance as follows:

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

The International Framework also states that:

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

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

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

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

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

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

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

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Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	**Behaving with integrity** ■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation ■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) ■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively **Demonstrating strong commitment to ethical values** ■ Seeking to establish, monitor and maintain the organisation's ethical standards and performance ■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation ■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

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Core principles (shown in bold)	Sub-principles (shown in bold)
	Respecting the rule of law ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements ■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders ■ Dealing with breaches of legal and regulatory provisions effectively ■ Ensuring corruption and misuse of power are dealt with effectively
B. Ensuring openness and comprehensive stakeholder engagement Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	**Openness** ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness ■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided ■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear ■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action **Engaging comprehensively with institutional stakeholders** NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable. ■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

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Core principles (shown in bold)	Sub-principles (shown in bold)
	■ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
	■ Ensuring that partnerships are based on:
	– trust
	– a shared commitment to change
	– a culture that promotes and accepts challenge among partners
	and that the added value of partnership working is explicit
	Engaging with individual citizens and service users effectively
	■ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
	■ Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
	■ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
	■ Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
	■ Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
	■ Taking account of the impact of decisions on future generations of tax payers and service users

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Principles (shown in bold)	Sub-principles (shown in bold)
In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	**Defining outcomes** ■ Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions ■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer ■ Delivering defined outcomes on a sustainable basis within the resources that will be available ■ Identifying and managing risks to the achievement of outcomes ■ Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available **Sustainable economic, social and environmental benefits** ■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints ■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs ■ Ensuring fair access to services

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Principles (shown in bold)	Sub-principles (shown in bold)
D. Determining the interventions necessary to optimise the achievement of the intended outcomes Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.	**Determining interventions** ■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided ■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts **Planning interventions** ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks ■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured ■ Ensuring capacity exists to generate the information required to review service quality regularly ■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan ■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

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Principles (shown in bold)	Sub-principles (shown in bold)
	Optimising achievement of intended outcomes ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term ■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage ■ Ensuring the achievement of 'social value' through service planning and commissioning
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.	**Developing the entity's capacity** ■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently ■ Recognising the benefits of partnerships and collaborative working where added value can be achieved ■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources **Developing the capability of the entity's leadership and other individuals** ■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained ■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

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Principles (shown in bold)	Sub-principles (shown in bold)
	■ Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
	– ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
	– ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
	– ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
	■ Ensuring that there are structures in place to encourage public participation
	■ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
	■ Holding staff to account through regular performance reviews which take account of training or development needs
	■ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

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Principles (shown in bold)	Sub-principles (shown in bold)
F. Managing risks and performance through robust internal control and strong public financial management Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.	**Managing risk** ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ■ Ensuring that responsibilities for managing individual risks are clearly allocated **Managing performance** ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook ■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement ■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

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Principles (shown in bold)	Sub-principles (shown in bold)
	Robust internal control
	■ Aligning the risk management strategy and policies on internal control with achieving objectives
	■ Evaluating and monitoring risk management and internal control on a regular basis
	■ Ensuring effective counter fraud and anti-corruption arrangements are in place
	■ Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
	■ Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:
	– provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
	– that its recommendations are listened to and acted upon
	Managing data
	■ Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
	■ Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
	■ Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring
	Strong public financial management
	■ Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
	■ Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

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Principles (shown in bold)	Sub-principles (shown in bold)
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.	**Implementing good practice in transparency** ■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand **Implementing good practices in reporting** ■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ■ Ensuring members and senior management own the results reported ■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate ■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations **Assurance and effective accountability** ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

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Annual review and reporting

THE ANNUAL GOVERNANCE STATEMENT

7.1 Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

7.2 The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.

7.3 The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.

7.4 The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.

7.5 The annual governance statement should include:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance

- reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate

- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

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- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues

- reference to how issues raised in the previous year's annual governance statement have been resolved

- a conclusion – a commitment to monitoring implementation as part of the next annual review.

7.6 The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.

7.7 The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).

7.8 Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

GOVERNANCE ARRANGEMENTS

7.9 Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.

- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- Documenting a commitment to openness and acting in the public interest.

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

- Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

- Translating the vision into courses of action for the authority, its partnerships and collaborations.

- Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

- Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

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- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

- Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) or CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable (2014) as appropriate and, where they do not, explain why and how they deliver the same impact.

- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

- Ensuring effective arrangements are in place for the discharge of the head of paid service function.

- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

- Ensuring an effective scrutiny function is in place.

- Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

- Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

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INVESTORS IN PEOPLE

Gateshead Council

TITLE OF REPORT: External Auditor: Certification of Claims and Returns Annual Report 2015/16

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1 This report requests that the Committee note the external auditor's annual report on Certification of Claims and Returns.

Background

2 As the Council's appointed external auditor, Mazars act as an agent of the Audit Commission. The Local Audit and Accountability Act 2014 transferred the Audit Commission's responsibilities to make certification arrangements for specified claims to Public Sector Audit Appointments. For 2015/16, the only claim under this regime was the Housing Benefit Subsidy return.

3 The external auditor's report setting out the findings from this work is attached at Appendix A.

Recommendation

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

Contact name: Craig Oakes Ext - 3711

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Members of the Audit and Standards Committee
Gateshead Council
Civic Centre
Regent Street
Gateshead
NE8 1HH

25 January 2017

Dear Members

Results of certification work 2015/16

As the Council's appointed auditor, we acted as an agent of the Public Sector Audit Appointments (PSAA). The Local Audit and Accountability Act 2014 transferred the Audit Commission's responsibilities to make certification arrangements for specified claims and returns to PSAA. For 2015/16 the only claim or return within this regime was the Housing Benefit subsidy return. This letter reports the findings from this work.

In 2015/16 the prescribed tests for our Housing Benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing Benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter.

The concept of materiality does not apply to certification of claims and returns in that any matters arising, other than agreed amendments, are reported to the grant-paying department in a qualification letter. Where we issue a qualification letter, or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

We issued our certificate on 23 November 2016, in line with PSAA's certification instructions.

The table below details our findings.

Claim or return	Value of claim or return	Amended *(1)*	Qualified
Housing Benefit subsidy	£86,725,109	Yes	No

(1) Where an error was identified and it was possible to quantify the impact of the error across the whole population, the Council amended its return. Two amendments in 2015/16 related to misclassifications of individual cases between cells. Changes were also made to the classification of backdating amounts in a small number of cases. There was one minor rounding error in one of the cells in the return. None of these amendments had any impact on the amount of subsidy claimed by the Council.
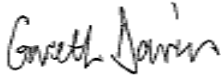
Fees

PSAA set an indicative fee for our work on the Council's Housing Benefit subsidy return. This indicative fee, and the final fee charged for 2015/16, is detailed in the table below:

Claim or return	2015/16 indicative fee	2015/16 final fee	2014/15 final fee
Housing Benefit subsidy	£10,615	£10,615	£16,540

Yours faithfully

Gareth Davies
Partner
Mazars LLP

Gateshead Council

TITLE OF REPORT: External Auditor: Audit Strategy Memorandum Year
                  Ending 31 March 2017

REPORT OF: Darren Collins, Strategic Director, Corporate
                 Resources

Purpose of the Report

1   This report requests that the Committee note the external auditor's Audit
    Strategy Memorandum for the year ended 31 March 2017.

Background

2   The report sets out:

    - The Executive summary, including the purpose of the report;
    - Audit scope and approach;
    - Significant risks and key judgements;
    - Timetable and communication;
    - Value for Money Conclusion;
    - Fees; and
    - The Audit team.

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
    Audit Strategy Memorandum.

Contact name: Craig Oakes Ext - 3711

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Audit Strategy Memorandum

Gateshead Council

Gateshead Council

For the year ending 31 March 2017

M **MAZARS**

Contents

Executive summary

Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of Gateshead Council ('the Council') for the year ending 31 March 2017, and forms the basis for discussion at the Audit and Standards Committee meeting on 6 March 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Accounts Committee are those charged with governance for the purpose of our audit.

Timing of our work	Our audit will be delivered in four main phases as outlined in page 8 of this report. The statutory deadline for the completion of our audit work is 30 September 2017, however we aim to give our opinion on the 2016/17 Statement of Accounts by 31 July 2017.
Financial Statements audit	**Significant risks** We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the Council's financial statements. • Management override of controls; • Revenue recognition; • Valuation of property, plant and equipment; • Valuation of the defined benefit pension scheme; and • Introduction of the new iTrent Payroll system. **Materiality** At the planning stage of the audit we have set materiality for the financial statements as a whole at £11.503 million. In reporting the results of our work we do not report identified misstatements below a clearly trivial level. We have set this level at £345,000.
Value for Money conclusion	The work we carry out to form a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources is summarised on page 10. At this stage we have identified one significant risk in respect of our VFM work. This relates to sustainable resource deployment and reflects the ongoing need for the Council to meet the challenges associated with ongoing reductions in the amount of money available to fund services.
Independence	We have considered any actual, potential or perceived threats to our independence on page 15. We have not identified any such threats at this stage of the audit.

Audit scope and approach

The scope of our work

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and are summarised below.

Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Our audit does not relieve management or the Accounts Committee, as those charged with governance, of their responsibilities.

Value for Money conclusion

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness it its use of resources. We discuss our Value for Money work in greater detail later in this report.

Whole of Government Accounts (WGA)

We report to the NAO on the consistency of the Council's financial statements with its WGA submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts by an elector. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our response to the risk of fraud

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however our audit should not be relied upon to identify all such misstatements.

The Accounts Committee (as those charged with governance) and Management also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

We will enquire of the Audit and Standards Committee as part of our audit. Our enquiries will focus on:

- what role the Audit and Standards Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- what anti-fraud measures you have in place and how your policies and procedures are monitored; and
- whether you are aware of any actual, alleged or suspected fraud.

Our use of experts and other auditors

Management and auditor experts

There are material entries in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

In addition to setting out information in respect of service organisations, Appendix A also summarises management's experts and our planned audit approach to obtaining assurance over their work.

Internal audit

Where appropriate, we will seek to rely on work performed by internal audit where it provides us with the required assurance. We will meet with internal audit to discuss their work programme and findings, and factor this in when determining the most efficient testing strategy.

Where we intend to rely on the work of internal audit, we will evaluate their work and perform our own audit procedures to determine its adequacy for our audit.

Audit efficiency and our use of IT

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of who have extensive knowledge of the sector and providing assurance and advisory services across the public sector.

Risk assessment

Audit assurance

Added value services
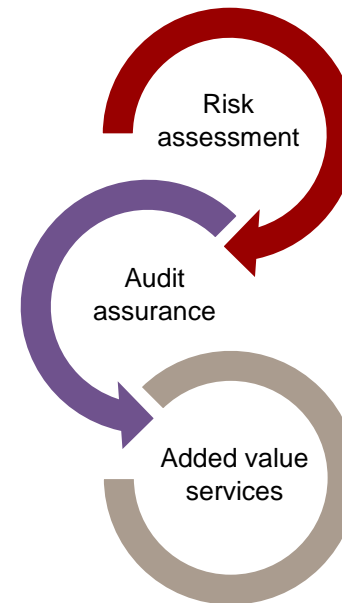
We know that all organisations are different and face different risks. Our audit platform is modern and flexible and allows us to tailor our audit approach to the specific risks relevant to the Council, while ensuring compliance with underlying auditing standards.

We focus on the risks to your business continuity and those that give rise to a risk of material misstatement in the financial statements. Your audit team has access to a full suite of data analytics tools which allow them to determine the most effective and efficient testing strategy using IT-audit techniques where appropriate.

Significant risks and key judgements

Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the Council's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Audit and Standards Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
Management override of control In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	Our testing strategy will include: • review of material accounting estimates, which may be subject to management bias, included in the financial statements; • consideration and review of unusual or significant transactions outside the normal course of business; and • testing of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
Revenue Recognition There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk.	Our testing strategy will include: • review of material accounting estimates, which may be subject to management bias, included in the financial statements; • consideration and review of unusual or significant transactions outside the normal course of business; and • testing of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Significant risk	How we will mitigate the risk
Pensions Estimates (IAS19) The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will: • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and • consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.
Property, Plant and Equipment Valuations of these assets, in particular of land and buildings, require work from an expert valuer. Valuations of buildings must reflect both the condition of the building but also the valuation basis for that class of building as required by the CIPFA 'code'.	We will: • examine the professional qualifications of your valuer; • challenge and substantiate the assumptions and the appropriateness of the date of the valuation used by your valuer in completing the valuations; • ensure that valuations and impairments have been completed on the correct basis for each item and that movements are in line with expectation; and • assess whether the report produced by the valuer has been correctly reflected in the accounts.
Introduction of new Payroll system in 2016/17 (iTrent) The Council introduced a new Payroll system in April 2016. This introduction brings with it the potential for a material misstatement in the 2016/17 financial statements.	We will liaise with officers and carry out substantive testing in order to gain assurance that the transfer of information between payroll systems was carried out accurately and does not result in a material financial misstatement

7

Timetable and communication

Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Accounts Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Audit and Standards Committee and the Council's staff as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Audit and Standards Committee are kept aware of significant issues on a timely basis. We intend to issue our Audit Strategy Memorandum in March 2017, our Audit Completion Report in July 2017 and our Annual Audit Letter in October 2017.

Completion stage – July 2017
- Final review of the financial statements
- Reviewing post balance sheet events
- Partner review of the audit file
- Agreeing the letter of representation

Key reporting and communication outputs
- Audit Completion Report
- Auditor's report

Planning stage - November 2016 – February 2017
- Updating our understanding of the Council
- Opinion and VFM risk assessment
- Developing our audit testing strategy
- Agreeing our audit timetable

Key reporting and communication outputs
- Audit Strategy Memorandum

Fieldwork stage – June 2017 – July 2017
We complete the bulk of our audit testing at the fieldwork stage, building on the work already done at interim.

Key reporting and communication outputs
- Regular update meetings with the finance team

Interim stage – February / March 2017
- Document and test systems and controls
- Carry out IT audit testing using our IT specialists
- Perform early substantive testing

Key reporting and communication outputs
- Audit progress and update report

Completion

Planning

Interim

Fieldwork

4

1

2

3

Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

Matter to be communicated	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Confirmation of our independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Conclusions on the significant audit risks and areas of management judgement		✓
Summary of unadjusted misstatements		✓
Management representation letter		✓
Our proposed audit report		✓

In addition to the matters outlined above which we are required to communicate under auditing standards, we also communicate regularly with the Audit and Standards Committee through our Audit Progress Reports, presented on a quarterly basis. We also report to the Council on an annual basis to summarise our work and main conclusions through our Annual Audit Letter.
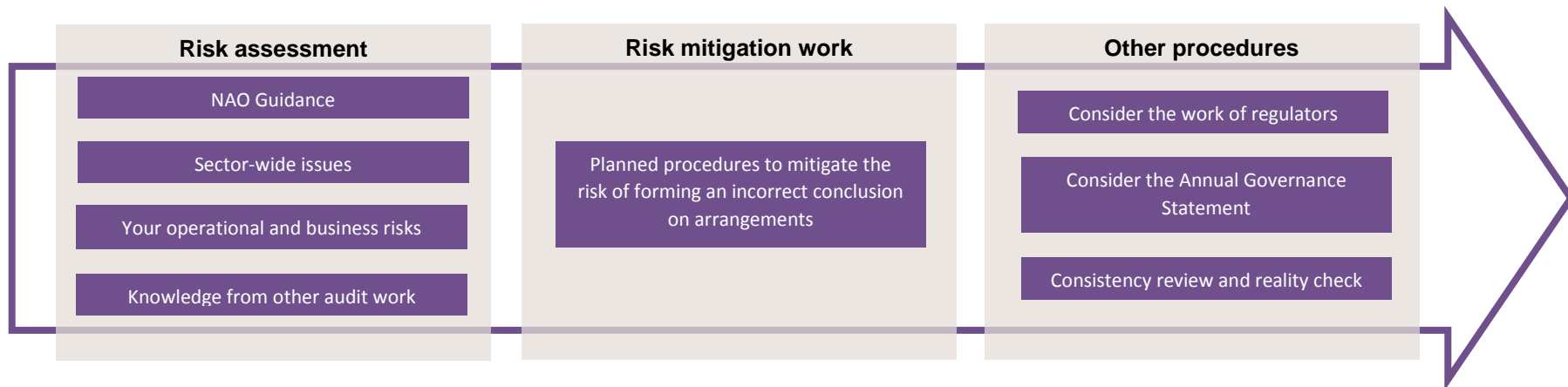
Value for Money Conclusion

Our approach to Value for Money work

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

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

- Informed decision making.

- Sustainable resource deployment.

- Working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below.

Risk assessment	Risk mitigation work	Other procedures
NAO Guidance		Consider the work of regulators
Sector-wide issues	Planned procedures to mitigate the risk of forming an incorrect conclusion on arrangements	Consider the Annual Governance Statement
Your operational and business risks		Consistency review and reality check
Knowledge from other audit work		

Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For 2016/17, we have identified a risk for our VFM conclusion. A summary of the risk and the work we intend to undertake to ensure we reach the correct conclusion is set out in the following table.

Value for Money conclusion risk	Work we intend to carry out
Sustainable resource deployment: Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions The Council continues to face financial pressures from reduced funding, increased demand and changing responsibilities. The Council is responding to the challenges by a programme of efficiencies, service reviews and developing new ways to manage demand and deliver services. Failure to have appropriate arrangements in place to identify and deliver this programme poses a significant risk to the Council's ability to deliver its strategic priorities and maintain statutory functions.	We will review: • monitoring and action plans for a sample of savings included in the budget; • the updated Medium-Term Financial Strategy; • budget monitoring reports and other finance updates; • the progress made in identifying further savings required; and • progress on the Council's Change Programme.

Fees

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd (PSAA) as communicated to you in our fee letter on 11 April 2016.

Area of work	2016/17 proposed fee	2015/16 final fee
Code audit work	£130,298	£130,298
Housing Benefit Subsidy certification	£12,405	£10,615
Total	**£142,703**	**£140,913**

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as outlined in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in Appendix B.

Area of work	2016/17 proposed fee	2015/16 final fee
Teachers' Pensions Return	£2,750	£2,750
Pooling of Housing Capital Receipts Return	£1,800	£1,800
Gateshead 3-7 School Centred Initial Teacher Training (Gateshead 3-7 SCITT)	£2,250	£2,250
Total	**£6,800**	**£6,800**

Our team

Cameron Waddell – Partner
Email: cameron.waddell@mazars.co.uk
Phone: 0191 383 6314
Cameron will be the key contact for the Audit and Standards Committee and Management. He will have overall responsibility for delivering a high quality audit to the Council. He will sign the auditor reports and liaise with the Chief Executive, Strategic Director, Corporate Resources and the Audit and Standards Committee. Along with Jim, he will attend Audit and Standards Committees and where appropriate, Council meetings and is available to Councillors.

Jim Dafter – Senior Manager
Email: jim.dafter@mazars.co.uk
Phone: 07815 876 042
Jim will manage and coordinate the audit and be the key point of contact for the Deputy Strategic Director (Corporate Finance), Strategic Finance Manager (Corporate Finance) and Group Accountant, Strategic Planning, Policy & Technical, as well as liaising with Internal Audit. Jim will attend Audit and Standards Committees and oversee completion of work to a high standard.

Campbell Dearden – Team Leader
Email: campbell.dearden@mazars.co.uk
Phone: 0191 4333 667
Campbell will be the key contact for the finance team, leading day-to-day audit work, reviewing the work of more junior members of the team and performing the audit work in more specialised areas.

In accordance with our internal policies for audit quality and risk management, we consider the audit of the Council to be a 'major audit'. As a result, and in line with the requirements of International Standards on Quality Control (ISQC) 1, the firm's Risk Management Partner has appointed an Engagement Quality Control Reviewer to the Council's audit who will bring an additional level of quality control to the engagement team.

Appendix A – Management's Experts

Experts

The Council uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the Council to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

Financial statement area	Management's expert	Planned audit approach
Defined benefit liability and associated IAS 19 entries and disclosures	Actuary (Aon Hewitt)	Consider the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office, prepared by PwC.
Property, plant and equipment valuations	BNP Paribas Real Estate (UK)	Consider the reasonableness of the valuers' output, referring to an expert's report on regional and national trends in property values which is commissioned annually by the National Audit Office, prepared by Gerald Eve.
Fair values	Capita	Consider the reasonableness of Capita's output, referring to central assurances commissioned annually by the National Audit Office.

Appendix B – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing, that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Cameron Waddell or Jim Dafter.

Prior to the provision of any non-audit services, Cameron will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. The following table outlines the potential threats to our independence and the safeguards put in place.

Area	Perceived threat	Safeguards and procedures
Services in relation to grant and returns certification and assurance.	Self -review	The review does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars.
	Self interest	The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis.
	Management	The work does not involve Mazars making any decisions on behalf of management.
	Advocacy	The work does not involve Mazars advocating the Council to third parties.
	Familiarity	Work is not deemed to give rise to a familiarity threat given these pieces of assurance work used to fall under the Audit Commission's certification regime and were the responsibility of the Council's appointed auditor.
	Intimidation	The nature of the work does not give rise to any intimidation threat from management to Mazars.

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Appendix C - Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:
- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning our audit, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix D – Our added value

Our primary responsibilities as the Council's external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we do this.

Insight	Expertise	Support for continuous improvement
Analysis of emerging issues shared regularly with you through our Audit Progress Reports. Sharing knowledge from our membership of a range of professional networks including those hosted by the ICAEW and NAO. Regular updates from our public services advisory team on lessons learned from its work across the UK public sector. Access to our public sector governance forum allowing free and open discussion of governance issues.	Specialist public sector financial reporting advisory service, providing expert analysis of emerging accounting issues. A dedicated IT audit and advisory team, with expertise and experience of providing services across the public sector. Provision of annual accounting workshops attended by your finance team.	Clear and open communication, allowing for a sensible basis of resolving emerging issues. Internal control recommendations and follow-up work in conjunction with internal audit.

Gateshead Council

TITLE OF REPORT: Internal Audit Update

REPORT OF: Darren Collins, Strategic Director, Corporate Resources

Purpose of the Report

1 This report provides an update to the Committee on activity undertaken by the Internal Audit and Risk Service.

Background

2 The Strategic Director, Corporate Resources is delegated with the authority to maintain an adequate and effective system of internal audit as set out in the Council's Constitution. The terms of reference for the Internal Audit Service are included in the Council's Financial Regulations and the Audit Charter provides a further level of detail in this area.

External Auditor Appointment

3 As reported to Committee 30 January 2017 the Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors for all local government and NHS bodies in England. The transitional arrangements come to an end on 31 March 2018, when the Council will be required to move to a local appointment of an external auditor.

4 At the previous Committee members were asked to review the three different options available to the Council for the local appointment of external auditors prior to recommendation by Cabinet to Council for approval. These options were:

- Option 1: Make a stand alone appointment by setting up an Independent Auditor Appointment Panel;
- Option 2: Joining with other councils to set up a Joint Independent Auditor Appointment Panel / local joint procurement arrangements; or
- Option 3: Opting-in to a sector led body that will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an Independent Auditor Panel.

5   On 7 February 2017 Cabinet agreed to recommend to Council the proposal to opt-in to a national sector led body to undertake the appointment of an external auditor on behalf of the Council. The report will be presented to Council for approval 8 March 2017.

Counter Fraud Work

6   The Government's latest figures state that fraud costs local authorities an estimated £2.1 billion a year. To support and further develop the counter fraud work currently carried out by the Internal Audit and Risk Service an invest to save budget option was included in the 2017/18 budget to create two dedicated Counter Fraud Officer posts from 1 April 2017.

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

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

8   Other work will include increased awareness training throughout the Council, drafting of a Council Counter Fraud and Corruption Strategy, review and refresh of the Council's Counter Fraud and Corruption Policy and Fraud Response Plan and provision of increased support to management to prevent and detect fraud.

9   The Committee will be kept up to date of progress and outcomes in relation to the Council's Counter Fraud provision through future reports.

National Fraud Initiative (NFI)

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

11   The Council submitted data in support of the 15 data sets included in the NFI exercise 10 October 2016. The data covers payroll, pensions, trade creditors' payment history and standing data, housing (current tenants) and right to buy, housing waiting lists, housing benefits, council tax reduction scheme, council tax, electoral register, student loans, private supported care home residents, transport passes and permits (including residents' parking, blue badges and concessionary travel), insurance

claimants, licences (market trader, taxi driver and personal licences to supply alcohol) and personal budget direct payments.

12 The data matches were released 26 January 2017. A total of 6,304 matches were identified, of which 1,344 are 'recommended' matches which have been prioritised for investigation. Progress against the matches will be monitored and reported to the Committee as appropriate.

Recommendation

13 It is recommended that the Committee note the contents of this report.

Contact name: **Craig Oakes Ext - 3711**

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Gateshead Council

TITLE OF REPORT: **Annual Governance Statement 2016/17 - Assurance Framework**

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

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Purpose of the Report

1   This report provides an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2016/17 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements.

Background

2   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, properly accounted for and used economically, efficiently and effectively demonstrating value for money.

3   The Accounts and Audit Regulations 2015 require the Council to produce an AGS setting out its governance arrangements and reviewing their effectiveness. The statement accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and Chief Executive.

4   The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making, that there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and the community.

Assurance Framework

5   The assurance framework supports the AGS and provides councillors with information on the Council's control environment and governance arrangements. It maps the Council's strategic objectives to risks and controls and seeks assurance from a number of sources of Council activity.

6   The process of preparing the AGS should itself add value to the effectiveness of the Governance Assurance Framework. The assurance process will demonstrate 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?

7   In preparing the governance statement it will be necessary to review evidence from the following sources which together form the assurance framework:

- Governance arrangements
- Councillors
- Strategic and Service Directors
- 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 and governance

Governance arrangements

8   The Council has a Local Code of Governance, which was originally presented to the Audit and Standards Committees in April 2007. This was last updated and agreed by the Audit and Standards Committee on 7 March 2016 and an updated version of the code is presented for approval in a separate report for this meeting. This code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services. The six overarching principles are:

- *Focussing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area;*

- *Councillors and officers working together to achieve a common purpose with clearly defined functions and roles.*

- *Promoting the values of the Council and demonstrating the values of good governance through behaviour;*

- *Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;*

- *Developing the capacity and capability of Councillors to be effective and ensuring that officers – including the statutory officers - also have the capability and capacity to deliver effectively;*

- *Engaging with local people and other stakeholders to ensure robust local public accountability.*

9   CIPFA have developed a revised approach to a Local Code of Governance as set out in their Delivering Good Governance in Local Government: Framework. As detailed in a separate report on this agenda it is proposed that an iterative and planned approach be taken to development of the new Framework so that it can be fully instigated in March 2018.

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

Councillors

11   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 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;

- To provide a public face on specific issues.

12   Assurance will be sought from members of the Cabinet on the effectiveness they feel can be placed on the Council's corporate governance arrangements.

Strategic and Service Directors

13   All Service Directors will complete a self assessment assurance statement detailing the level of assurance they feel they can place on their key control and governance processes. This statement will be reviewed and updated for 2016/17 to ensure it remains focused on the key areas. The evidence used to complete these statements will be evaluated by Internal Audit as part of the 2017/18 plan.

The system of internal control

14   The Accounts and Audit Regulations 2015 outline that the Council must ensure 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.

15 The Internal Audit & Risk Service is responsible for ensuring that all key systems, both financial and non financial, are subjected to regular audit as part of the risk based audit plan.

16 In addition, the Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance.

17 The Council must, each financial year, conduct a review of the effectiveness of the system of internal control, which includes internal audit. This is defined by CIPFA as "a framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in understanding its work, 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 across the Council where controls are managed e.g. the Council's Health and Safety Section.

18 The review will take into consideration the outcomes and actions from the Chief Internal Auditor's self- assessment against compliance with Public Sector Internal Audit Standards (PSIAS). Independent external assessment, a requirement of PSIAS at least once every five years, has previously been undertaken by Mazars and was reported to the Audit and Standards Committee on 26 January 2015.

19 The overall opinion of the Chief Internal Auditor based on the work undertaken by the Internal Audit & Risk Service and other providers during the year will be reported to the June Audit and Standards Committee in the Internal Audit Annual Report 2016/17.

Risk management arrangements

20 An updated version of the Corporate Risk Management Policy was approved by Cabinet on 21 May 2013 and it clearly identifies the roles and responsibilities of the following key groups:-

- Councillors through the engagement of Cabinet and the Audit and Standards Committee;
- Chief Executive;
- Strategic Director, Corporate Resources;
- Strategic Directors;
- Operational Managers;
- Internal Audit & Risk Service; and the
- Corporate Risk and Resilience Group.

21 The Strategic Director, Corporate Resources prepares an annual report for the Committee detailing the Council's risk management arrangements during the year and its findings. The report also includes a view on the effectiveness of the Council's risk management arrangements.

Views of the external auditor and other external inspectors

22   The external auditor issues an Annual Audit Letter to the Council, providing a review of the Council's value for money arrangements and reporting any significant issues arising from the audit of the Council's financial statements.

23   There are a number of other external inspectorates which may report on management or governance arrangements at the Council in the course of the year.

Performance management and data quality

24   The Council produces a number of strategic performance indicators, which are reported to Cabinet and Scrutiny Committees and included in the Council's Annual Report. This framework ensures performance is reported against outcomes identified in the Council Plan 2015-20.

Legal and regulatory framework

25   Assurance will be sought 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. 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.

Financial controls

26   Assurance will be sought 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. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety, publicity and budget issues; giving financial information; and acting as the Council's money laundering reporting officer.

Partnership arrangements & governance

27   Another requirement is for each Service Director to review the partnerships their service is connected with and record details within their business plan 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. The overall opinion on the effectiveness of such arrangements will be presented in an annual report to the Audit and Standards Committee.

Other sources of assurance

28 Other areas include anything not covered above which gives an opinion on the Council's internal control environment or governance arrangements. Examples could include fraud reports, ombudsman reports, Ofsted reports or other reports addressing best value.

Production of the Annual Governance Statement 2016/17

29 A corporate group, chaired by the Strategic Director, Corporate Resources will use the findings of the above sources of assurance to form a view on the adequacy of the Council's overall internal control and governance arrangements.

30 Using evidence from this assessment the Group will prepare the AGS for 2016/17 for approval by the Audit and Standards Committee in June 2017. This will then accompany the Statement of Accounts for 2016/17.

Recommendation

31 The Committee is asked to agree the assurance framework as set out in this report.

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