ANNUAL STATEMENT OF ACCOUNTS 2009/10

ANNUAL GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY - Gedling Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gedling Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Gedling Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for risk management.

Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained by contacting the Manager of Audit & Risk Services at Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK - The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and priority's the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

THE GOVERNANCE FRAMEWORK - The governance framework supports the Authority in establishing, implementing and monitoring policies and objectives. The following documents establish these policies, aims and objectives at a strategic level:

- The Council Plan 2008-2012
- The Sustainable Community Strategy
- The Local Development Framework
- Annual Budget & Performance Plan
- The Capital Strategy
- The Financial Strategy
- The Treasury Management Strategy
- The Housing Strategy

These high level plans are further supported by departmental service plans and operational plans. The Authority's Constitution provides clear guidance on how the Authority operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are within the Council's Publication Scheme and available on the Council's website at www.gedling.gov.uk or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

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The Authority's Corporate Governance Framework defines the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, and demonstrates how the Authority meets defined standards of governance in relation to its policies and aims and objectives. The Authority's Corporate Risk Scorecard and Action Plan is incorporated within the Corporate Governance Framework. This records the process and results for identifying, assessing, managing and monitoring strategic risks. These documents are updated and reviewed by senior management regularly. Control issues identified within Internal Audit reviews are integrated with the Risk Management process, providing an holistic and integrated source of assurance.

The Council Plan lays out the Authority's vision, priorities and values. The plan affirms its commitment to continuous service improvement. The Authority recognises the increasing importance of working in partnership with other agencies and is committed to partnership working in order to deliver its priorities and wider themes of the Gedling Partnership.

The Authority acknowledges its responsibility to ensure that it operates an effective system of internal control to maintain and operate controls over its resources. This system of internal control can only provide reasonable (not absolute) assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or would be detected within a reasonable period. The internal control system includes:

- Annual review of the effectiveness of the Authority's Corporate Governance Framework, including signed Assurance Statements from Heads of Service,

- An established anti-fraud strategy, including whistle-blowing procedures, communicated to members, officers and the public and available on the Council's website,

- Audit Committee established to undertake the core functions as identified in CIPFA guidance,

- The development of a partnership risk register to identify strategic partnership arrangements and assess the adequacy of governance arrangements,

- Performance Plan monitoring, review and reporting,

- Facilitation of policy and decision making through the constitution, codes of conduct and the decision-making process, forward plan and role of the scrutiny committees,

- The statutory roles of the Council's Monitoring Officer and Chief Finance Officer place a duty on these post holders to ensure compliance with established policies, procedures, laws and regulations,

- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced,

- Internal audit reviews are carried out using a risk based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources and that professional standards are maintained,

- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide an holistic source of assurance aligned to corporate objectives,

- Departmental operational risk registers, subject to review by section heads,

- The financial management of the authority and the reporting of financial management through Standing Orders, Financial Regulations, a scheme of delegation and supporting procedure

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notes and manuals including a comprehensive budgeting and budget monitoring system, and a robust medium term financial planning process which are all subject to internal audit review,

- The Council has continued upon its ambitious programme, the Gedling Transformation Programme (GTP), to review its services and activities in the pursuit of greater effectiveness and efficiency. A key control aspect of the programme is to map current systems and procedures, re-engineer these and then update the procedures and supporting notes and guidance to reflect new practices,

- The performance management of the authority and the reporting of performance management through a quarterly reporting system to Cabinet and Council,

- Formal project management guidelines,

- Adherence to good employment practices.

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

The Council's approach includes an annual review of the Council's Corporate Governance Framework by the Senior Management Team, which includes a detailed examination of corporate risks. This review is subsequently reported both to the Council's Cabinet (the Executive) and the Personnel and Resources Committee (the non Executive).

All Chief Officers of the Council are required to keep under review and comply with the elements of internal control that individually apply to each. Annual statements are made by the Chief Officers confirming compliance within their respective areas of responsibility and highlighting areas of concern if appropriate.

Measures to address the weaknesses and issues identified in the above reviews are included in the action plans for 2010-11.

The constitution sets out the responsibility of members and senior managers, in particular the posts of the Chief Executive, Monitoring Officer and Section 151 Officer.

The Chief Executive is responsible for annual, independent review and reporting on the adequacy and effectiveness of the corporate governance arrangements and compliance with them.

The Cabinet members have both collective and individual responsibility for ensuring that decisions of the Council delegated to them are in compliance with the Authority's overall governance arrangements. This responsibility rests with the Personnel and Resources Committee for non-executive functions, including the review of financial management reports. In 2004/05 an Audit Committee was created to review Internal Audit and External Audit reports. This committee meets on an ad hoc basis, generally at least four times a year, and reviews the outcomes of individual audit reviews, helps plan overall internal audit activity and receives annual reports from both the Internal and External Auditor.

During 2006-07 the Terms of Reference for the Audit Committee were reviewed and updated to include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard.

Covalent, a new electronic performance management system, was introduced in April 2009. Implementation of the Covalent system has achieved improvements in the performance data gathering process and enhanced the Council's performance reporting. The Council's Cabinet, Senior Management Team and Personnel and Resources Committee receive quarterly reports detailing both

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financial and operational performance throughout the financial year. These reports have resulted in changes to budgets and performance plans and this process forms the basis of operational management at the corporate level.

The Council also operates scrutiny arrangements. In November 2009, the Council's Scrutiny Committee arrangements were further enhanced with the implementation of an Overarching Scrutiny Committee to provide strategic direction to the separate Policy and Performance Scrutiny Committee's.   The committees review decisions of the executive, contribute to the process of determining priorities and review all framework policies and strategies contained within the Council's Constitution.

The Council continues to operate a robust standards function through an established Standards Committee, with defined roles and responsibilities for promoting and maintaining high standards of conduct by the Council's members and co-opted members.

Internal Audit undertakes reviews of the Authority's system of internal control. These reviews together with the assurance statements from the Chief Executive, Deputy Chief Executive, Chief Financial Officer, Monitoring Officer and Heads of Service support the assurance statement and findings given by the Manager of Audit & Risk Services, the Council's Chief Internal Auditor.   This Assurance Statement concluded that systems of internal control were adequate and operating effectively.

The internal audit statement and senior management assurance statements were further evidenced by external evaluators such as the Use of Resources and Managing Performance assessments, the Audit Commission's annual audit and inspection letter and other inspectorate reports such as the Planning Inspectorate.

The Authority was rated as a "Good" local authority under the Comprehensive Performance Assessment (CPA) in 2003. A CPA reassessment was undertaken in July 2008, which confirmed the Council as a "Good" local authority. The assessment was against the Audit Commission's "harder test", which included tougher standards than those in place at the time of the initial assessment.

The report praised the Council for its good quality services and effective partnership working, highlighting that residents' satisfaction levels with services are both good and improving. The Council was also praised for its priorities for improvement, which the report states, are based on an understanding of residents' needs.

The report also identified areas for improvement. Detailed action plans were developed and have been implemnetd to address the issues raised.

The Council has reviewed its partnership arrangements and identified and evaluated its key partnerships as part of its Risk Management process.   Key governance requirements that all partnership arrangements will be required to meet have been developed, to ensure that all members of any partnership are responsible for ensuring they meet the highest standards of governance.

The Council is required to identify and explain whether financial management arrangements conform to the governance requirements set out in the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010). The Statement requires that the Chief Financial Officer (CFO) reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.

Whilst the CFO is a member of the Council's Senior Management Team with at least equal status to other members, the CFO currently reports directly to the Deputy Chief Executive. This arrangement is specifically designed to meet the day to day management and administrative needs of the seven Heads of Service, whilst maintaining directly available access to the Chief Executive at all times. This arrangement is specifically beneficial to the principles of good governance, by increasing the availability of the Chief Executive.

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SIGNIFICANT GOVERNANCE ISSUES: During the 2009-10 financial year the following issues were identified via the Authority's risk management, governance and internal control processes as being relevant to the preparation of the Annual Governance Statement:

- **Data Security** – whilst the Authority has not experienced any significant data breaches, a Data Security Working Group (DSWG) has been established with the key objective of undertaking a thorough review of data security arrangements to provide assurance to members and officers that procedures are adequate and effective.

  During 2008-09, Internal Audit undertook a baseline assessment against the security standard ISO27002. An action plan was formulated to address the issues raised and has been progressed through the work of the DSWG, resulting in the Authority receiving accepted status for connection to the Government Connect initiative. This provides the Authority with a secure interface with other public sector organisations achieving accepted status.

  The Council is subject to an annual review of its procedures to maintain its accepted status. Following its recent annual inspection, Gedling Borough Council continues to maintain its accepted status to the Government Connect initiative.

  Revised draft policies and procedures have been developed, however, these will require formal approval and subsequent end user training to ensure effective implementation and adherence.

EMERGING GOVERNANCE ISSUES: The following issue is not highlighted as a current control or risk concern, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance.

- **External Economy** - in addition to the issue highlighted above, the Authority remains susceptible to, but vigilant for, the external risks posed by the economic climate and the uncertain political climate. Despite ongoing pressures and squeezes on cost and income streams, effective planning has resulted in the Council's 2010-11 budget having no significant reductions in service, no requirement for redundancies and a Council Tax increase below the rate of inflation. In addition, the Council has invested in its new priority for Economic Prosperity within the Borough.

  The Council's current sound financial position, combined with the Medium term Financial Plan, means that the Council is well placed to deal with the ongoing uncertainty in the UK and global economy. However, the Council will continue to monitor the external environment and develop strategies to counter threats from the wider economy.

All of the above risk and internal control issues have been reported specifically to the Authority's Senior Management Team and action plans to ensure that all issues are addressed within 2010-11 have been developed.

We have been advised of the implications of the result of the review and of the effectiveness of the system of internal control. We will monitor the implementation of our action plans to address identified issues and ensure improvements are effectively implemented.

Signature of the Chief Executive   Date:

Signature of Leading Member   Date: