

## ANNUAL STATEMENT OF ACCOUNTS 2016/17

### ANNUAL GOVERNANCE STATEMENT

#### 1. Scope of Responsibility

- 1.1 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.
- 1.2 In discharging this overall responsibility, Gedling Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 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 authority's code is on our website at [www.gedling.gov.uk](http://www.gedling.gov.uk) or can be obtained from the Deputy Chief Executive and Director of Finance, 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 the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

#### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gedling Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

#### 3. The Governance Framework

- 3.1 Gedling Borough Council's approach to the "*Local Code of Corporate Governance*" recognises that effective governance is achieved through the 7 core principles and 21 supporting principles as identified in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 Edition*. These are:

**(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

(i) *Behaving with integrity*

(ii) *Demonstrating strong commitment to ethical values*

(iii) *Respecting the rule of law*

# ANNUAL STATEMENT OF ACCOUNTS 2016/17

## ANNUAL GOVERNANCE STATEMENT

### **(B) Ensuring openness and comprehensive stakeholder engagement.**

- (iv) Openness*
- (v) Engaging comprehensively with institutional stakeholders*
- (vi) Engaging with individual citizens and service users effectively*

### **(C) Defining outcomes in terms of sustainable economic, social and environmental benefits.**

- (vii) Defining outcomes*
- (viii) Sustainable economic, social and environmental benefits*

### **(D) Determining the interventions necessary to optimise the achievement of the intended outcomes.**

- (ix) Determining interventions*
- (x) Planning interventions*
- (xi) Optimising achievement of intended outcomes*

### **(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

- (xii) Developing the entity's capacity*
- (xiii) Developing the capability of the entity's leadership and other individuals*

### **(F) Managing risks and performance through robust internal control and strong public financial management.**

- (xiv) Managing risk*
- (xv) Managing performance*
- (xvi) Robust internal control*
- (xvii) Managing data*
- (xviii) Strong public financial management*

### **(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

- (xix) Implementing good practice in transparency*
- (xx) Implementing good practices in reporting*
- (xxi) Assurance and effective accountability*

## **4. Governance Arrangements**

- 4.1 There is a governance assurance framework through which the Council satisfies itself as to the effectiveness of its system of internal control. This takes as its starting point the Council's principal statutory and organisational objectives as set out in the Council's Corporate Plan. From this are identified the key risks to the achievement of the Council's objectives as set out within the Council's corporate, directorate and service risk registers.
- 4.2 The framework identifies the main sources of assurance on the controls in place to manage those risks, and it is the evaluation of those assurances that is the basis of this Annual Governance Statement.
- 4.3 The following documents establish these policies, aims and objectives at a strategic level:
  - The Corporate Plan (The Gedling Plan);

# ANNUAL STATEMENT OF ACCOUNTS 2016/17

## ANNUAL GOVERNANCE STATEMENT

- The Community Safety Partnership Strategy;
- The Local Development Framework;
- The Annual Budget and Performance Management Framework;
- The Financial Strategy;
- The Treasury Management Strategy;
- The Internal Audit Strategy;
- The Risk Management Strategy;
- The Corporate Equalities Scheme;
- The Anti-Fraud & Anti-Corruption Strategy.

4.4 These high level plans are further supported by Service Plans. The Constitution provides clear guidance on how the Council 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](http://www.gedling.gov.uk) or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.

4.6 The Council 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.

4.7 The internal control system includes:

- Annual review of the effectiveness of the Council's Corporate Governance Framework, including signed Assurance Statements from Directors and Service Managers;
- An established anti-fraud strategy, including whistle-blowing procedures, communicated to Members, officers and the public, and are available on the Council's website;
- An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;
- The Terms of Reference for the Audit Committee have been reviewed and updated to include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;
- The development of a risk register to include the identification of both strategic and operational risks, and the formulation of a Corporate Risk Scorecard for reporting purposes;
- 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;

# ANNUAL STATEMENT OF ACCOUNTS 2016/17

## ANNUAL GOVERNANCE STATEMENT

- The statutory roles of the Council's Monitoring Officer and Chief Financial 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 ensure 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 a holistic source of assurance aligned to corporate objectives;
- Directorate operational risk registers, subject to regular review;
- Budgetary and performance management reporting to management, Cabinet and Council;
- Formal project management guidelines;
- Adherence to good employment practices;
- Governance training has been provided to all key officers and Members, including induction training, and arrangements are in place for the ongoing continuation of that training.

### 5. **Financial Management**

- 5.1 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the Section 151 Officer.
- 5.2 Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract Standing Orders and Procurement Procedure Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.
- 5.3 The Council has produced comprehensive procedure notes/manuals for all key financial systems, and these are regularly reviewed. The controls created by management are evaluated to ensure:
- Council objectives are being achieved;
  - The economic and efficient use of resources;
  - Compliance with policies, procedures, laws, rules and regulations;
  - The safeguarding of Council assets;
  - The integrity and reliability of information and data.
- 5.4 CIPFA issued in 2016 a Statement on "*The Role of the Chief Financial Officer in Local Government*", and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as follows:

# ANNUAL STATEMENT OF ACCOUNTS 2016/17

## ANNUAL GOVERNANCE STATEMENT

- The Section 151 Officer is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- The Section 151 Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council's overall financial strategy.
- The Section 151 Officer 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 Section 151 Officer leads and directs the finance function, which is resourced to be fit for purpose.
- The Section 151 Officer is professionally qualified and suitably experienced.

5.5 CIPFA issued in 2010 a Statement on "The Role of the Head of Internal Audit", and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as follows:

- The Head of Internal Audit champions best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- The Head of Internal Audit for Gedling was the Service Manager, Audit and Asset Management, and had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee.
- The Head of Internal Audit leads and directs an internal audit service that is resourced to be fit for purpose.
- The Head of Internal Audit is professionally qualified and suitably experienced.

5.6 In this regard, the Head of Internal Audit retired on 31 March 2017 and the Annual Audit opinion for 2016/17 was therefore formulated by the Deputy Chief Executive and Director of Finance in the absence of suitable alternatives (referred to as the Acting Head of Internal Audit in later sections). However, the annual audit work programme for 2016/17 and the finalisation of those audits were all completed under the supervision, control and guidance of the Head of Internal Audit during the year. The Council's Internal Audit Service has been fully outsourced from 1 April 2017.

## 6. External Inspections and Work Programmes

6.1 The Review of Effectiveness is set out below in section 8, and demonstrates that the control environment is operating effectively. Further evidence to support this conclusion comes from:

- The Acting Head of Internal Audit's Annual Report for 2016/17, which concluded:

*"Internal audit are satisfied that sufficient internal audit activity has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of Gedling Borough Council's risk management, governance and control processes.*

*It is internal audit's opinion that, for the 12 months ending 31 March 2017, Gedling Borough Council has adequate and effective risk management, internal control and governance processes to manage and achieve the organisation's objectives."*

- The external auditor (KPMG)'s Annual Governance Report 2015/16 concluded:

# ANNUAL STATEMENT OF ACCOUNTS 2016/17

## ANNUAL GOVERNANCE STATEMENT

*“We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.”*

6.2 It is important to recognise the results of the Internal Audit Annual Report where the Council has been issued with an overall positive assurance rating, with no ‘high’ actions being identified.

### 7. Review of Effectiveness

7.1 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 effectiveness 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.

7.2 The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks;
- Ensures that the risk management and control process is monitored for compliance.

7.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in section 8 below.

### 8. Significant Governance Issues

#### INTERNAL:

8.1 During the 2016/17 financial year the following issues were identified via the Council’s risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement. They are not highlighted as significant control or risk concerns, but included to highlight the Council’s awareness of emerging issues through its proactive and holistic approach to governance:

- Constitutional Changes – The Council has had a number of changes over the last few years, and it is important that the Constitution remains relevant and purposeful. Identified areas for review are:
  - Officer Scheme of Delegation;
  - Officer Code of Conduct;
  - Financial Regulations.

**Action: Senior Leadership Management Team – March 2018.**

## ANNUAL STATEMENT OF ACCOUNTS 2016/17

### ANNUAL GOVERNANCE STATEMENT

- Member and Officer Training – The Member and Officer training programme for 2017/18 will have a focus on the General Data Protection Regulations which will come into effect during 2018.

**Action: Director of Organisational Development and Democratic Services – December 2017.**

- Health and Safety Risk Assessments – The Council's Risk Register holds a strategic risk concerning the training of Service Managers in all aspects of health and safety. A new electronic system is currently being installed which will hold all details of health and safety risk assessments. Training will be provided to officers in both how to use the new system and how to undertake and record a risk assessment.

**Action: Deputy Chief Executive and Director of Resources – December 2017.**

- Risk Management – The Council's approach to risk management is now quite dated and cumbersome, and a full refresh and redesign of the systems and processes is required.

**Action: Deputy Chief Executive and Director of Resources – September 2017.**

#### EXTERNAL:

- External Economy – the Council remains susceptible to, but vigilant for, the external risks posed by the uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective planning has resulted in the Council's 2017/18 budget having no significant reductions in service. The Council has a strong track record in maintaining a sound financial position through effective Medium Term Financial Planning. The Council is well placed to deal with the ongoing pressure on income and funding streams. Nevertheless, the Council faces a significantly challenging period to maintain its historic solid financial and governance position. Plans have been developed outlining the Council's priorities, however, the challenge remains to deliver the action required to maintain its financial standing.

**Action: Senior Leadership Management Team – March 2018.**

- EU Referendum - On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU.

**Watching brief: Senior Leadership Management Team.**

- 8.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**John Robinson**  
Chief Executive

**John Clarke**  
Council Leader