

PERFORMANCE ENVIRONMENT RISK LEADERSHIP PUBLIC COMMUNICATION
INFORMATION ASSURANCE

Annual Governance Statement

ALTERNATIVE DELIVERY MODELS FINANCIAL MANAGEMENT
ACCOUNTABILITY PARTNERSHIPS
ENGAGEMENT RESPONSIBILITY
TRANSPARENCY OF DECISION MAKING
CULTURE SKILLS

1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The responsibility for leading and directing the annual reviews of the effectiveness of the Council's governance arrangements and providing ongoing oversight and robust challenge, is the Council's Statutory Officers, comprising, the Chief Executive, Chief Financial Officer (S151) and the Monitoring Officer and when completed, the findings are reported to the Audit and Governance Committee.

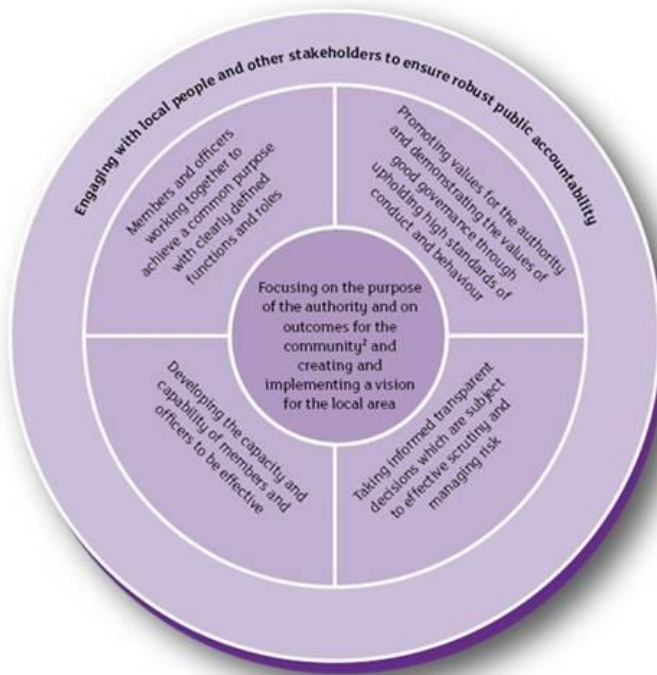
What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Strong transparent and responsive corporate governance is a key feature of any democratic body whose main function is community development and representation.

GCC operates through a governance framework that has been summarised within a revised Local Code of Corporate Governance 2014/2015, which is consistent with the six core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework; Delivering Good Governance in Local Government 2007 (Addendum 2012) and comprises the Council's systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community.

2. Gloucestershire County Council's Governance Framework

The six core principles (underpinned by a number of supporting principles) are summarised below:



Core Principle 1: Gloucestershire County Council aims to focus on its purpose and on outcomes for the community, creating and implementing a vision for the local area with partners.

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Core Principle 3: Promoting values for the authority, and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Core Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.

Core Principle 5: Developing the capacity and capability of members and officers to be effective.

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

Local Code of Corporate Governance (LCCG) 2014/2015

The Council's Code of Corporate Governance is a public statement of the Council's commitment to these principles and specifically identifies the key actions taken by GCC in relation to each of the core and supporting principles. The Code is reviewed and updated annually and the 2014/2015 Code is attached at **Appendix 1**.

Annual Governance Statement 2014/2015

The Council is also required by the Accounts & Audit Regulations 2015 to publish an Annual Governance Statement (AGS), in order to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In order for the Council to continue to improve our governance framework and learn from our peers, full consideration has also been given to the key issues highlighted within Grant Thornton's publications, Local Government Governance Review 2014 – Working in Tandem and Local Government Governance review 2015: All Aboard.

3. What is the purpose of a Governance Framework?

The governance framework enables the Council 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. The system of internal control is a significant part of that framework (i.e. the policies, processes, tasks, behaviours, performance and other aspects of the organisation) that ensures:

- business is conducted in accordance with the laws, regulations, internal policies and proper standards;
- significant risks are appropriately managed;
- assets are safeguarded from inappropriate use, or from loss and fraud;
- public money is safeguarded and properly accounted for, and used economically, efficiently and effectively;
- human, financial, environmental and other resources are managed efficiently and effectively;

- ❑ records and information are properly maintained;
- ❑ effective arrangements are in place for timely, relevant and reliable internal and external reporting; and
- ❑ the Council's values and ethical standards are met.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims, objectives and outcomes, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

Please note however, that any system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Council's Governance Framework, which underpins the Annual Governance Statement, has been in place at the Council for the year ended 31st March 2015 and up to the date of approval of the Annual Governance Statement and Statement of Accounts and is summarised at Appendix 2.

Key Corporate Governance Strategies/Systems and Processes

The Council's Local Code of Corporate Governance evidences the Council's commitment and actions taken to ensure good governance. However the key corporate strategies, systems and processes that contribute to effective governance arrangements and underpin the core principles, are summarised below :-

- ❑ **The Council's Constitution March 2015** (describes the individuals and groups that make up the County Council (that is, its "composition") and the principal rules and procedures that govern the way it operates, including clearly defined decision making processes. <http://www.gloucestershire.gov.uk/constitution>)

- ❑ **The Council Strategy 2015-2018** defines the Council's key priorities and plans, following full consultation with the communities of Gloucestershire.
<http://www.gloucestershire.gov.uk/CHttpHandler.ashx?id=42252&p=0>
- ❑ **Medium Term Financial Strategy 2015/16 to 2017/18** (describes the Council's financial strategy and detailed budget to meet the priorities of the Council's Strategy).
<http://www.gloucestershire.gov.uk/search?q=Budget+and+Medium+Term+Financial+Strategy>
- ❑ **Anti Fraud and Corruption Policy Statement and Strategy 2014/2015** (defines the Council's response to fraud and irregularity).
<http://www.gloucestershire.gov.uk/extra/CHttpHandler.ashx?id=59424&p=0>
- ❑ **Performance and Spending Framework** (defines the Council's corporate performance management arrangements, including audits, inspections and assessments).
<http://www.gloucestershire.gov.uk/article/104745/Performance--spending>
- ❑ **Risk Management Policy Statement and Strategy 2015-2016** (defines how risk is managed within the Council and our partners).
<http://www.gloucestershire.gov.uk/article/105641/Code-of-Corporate-Governance>
- ❑ **Information Management and security Policies** (defines how the Council's information is managed and secured).
<http://www.gloucestershire.gov.uk/extra/information-management-policies>
- ❑ **Code of Conduct for Members and Co-opted Members of GCC** (defines the expected standard of conduct by Members).
<http://www.gloucestershire.gov.uk/search?q=members&go=Go>
- ❑ **Members training programmes and briefings** (to support continued Member development). <http://www.gloucestershire.gov.uk/search?q=members&go=Go>
- ❑ **Employee Code of Conduct** (defines the expected standard of conduct by employees).
- ❑ **Officers' development programmes** (to support continued officer development).

- ❑ **Customer Complaints Policy 2013 and Customer Care Standards** enables the Council to act quickly and efficiently to put things right if something goes wrong; and to learn from customer complaints in order to improve our services and focus on the needs of our customers.
<http://www.gloucestershire.gov.uk/search?q=complaints+policy&go=Go>
- ❑ **External Audit arrangements.** Grant Thornton (external audit) provide (a) an independent opinion on the financial statements and (b) a value for money conclusion focusing on financial resilience and the three 'E's i.e. Economy, Efficiency and Effectiveness.
- ❑ **Internal Audit arrangements.** Internal Audit provide independent, objective assurance that the key risks to the achievement of objectives/priorities are adequately managed and that Anti-Fraud and Corruption arrangements are in place to ensure financial probity.

4. Process for the review of the effectiveness of GCC's 2014/2015 Governance Framework

The review of effectiveness is informed by:

- ❑ The work of senior officers of the Council who have responsibility for good governance;
- ❑ The Chief Internal Auditor's annual report on Internal Audit Activity 2014/2015, which provides the independent assurance that key risks (financial and non-financial) are being adequately controlled and provides an opinion on the effectiveness of these arrangements;
- ❑ The annual report on Risk Management Activity 2014/2015;
- ❑ Any comments made by the Council's External Auditors; and
- ❑ Any other review agencies and inspectorates.

In undertaking the 2014/2015 review GCC has:-

- ❑ Set out within the Council's Local Code of Corporate Governance, the key policies, strategies, documents and processes which incorporate its governance system;
- ❑ Sought independent assurances from external assessments where available;
- ❑ Significantly strengthened the assurance gathering process, which has been led by the Council's Statutory Officers, (full details are provided below). These statements cover all areas of the business, to confirm that adequate governance arrangements are in place in relation to:
 - Policy and decision making;
 - Service delivery;
 - Multi Agency / Joint Working / Contractual / Partnerships with other Public / Private Sector Bodies, Voluntary and Community Organisations;
 - Risk management and internal control;
 - Performance management;
 - Financial management;
 - Adherence to laws, regulations, rules and procedures;
 - Human resources issues;
 - Management of natural resources and Maximising Social Value;
 - Asset management; and
 - Information governance.
- ❑ If less than adequate assurance has been received back from any Director in relation to a key issue, this is reported later within this Annual Governance Statement;
- ❑ Reviewing, via the Audit and Governance Committee, progress on the implementation of key audit recommendations made in relation to all internal audits where an 'Limited Assurance' audit opinion was issued during the year;
- ❑ Reviewing the effectiveness of the Audit and Governance Committee;

- ❑ Reviewing the effectiveness of Internal Audit;
- ❑ Reviewing the effectiveness of a sample of the key corporate governance processes highlighted; and
- ❑ Reviewing the risk, control and governance arrangements relating to the Pensions Fund.

Strengthened Governance Assurance Framework

Assurance provides confidence, based on sufficient evidence, that controls are in place and are operating effectively and that objectives are being achieved. An Assurance Framework is a structure within which Members and Senior Management identify the principal risks to the Council meeting its principal objectives, and through which they map out both the key controls to manage them and how they have gained sufficient assurance about the effectiveness of those controls. The assurance framework underpins the statements made within the Annual Governance Statement.

During 2013/2014, a significantly strengthened governance assurance process was implemented to provide a framework for the annual assessment of the effectiveness of the governance arrangements operating within the Council. This includes a Lead Cabinet Member overview and oversight and robust challenge by the Council's Statutory Officers i.e. the Chief Executive, Monitoring Officer and Chief Financial Officer.

Further enhancements were made during 2014/2015, which introduced 'the three lines of defence risk assurance model' which helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance.

The 'Three Lines of Defence' in effective Risk Management and Control

Assurance can come from many sources within the Council. The Three Lines of Defence is a concept for helping to identify and understand the different sources of assurance.

By defining these sources into three categories i.e. the First Line (functions that own and manage risks e.g. management and supervisory controls) the Second Line (functions that oversee risks e.g., Governance structures & processes (e.g. Audit and Governance Committee, Scrutiny) and the Third Line (functions that provide independent assurance on the management of risks e.g. OFSTED, Internal/External audit), helps understand how each contributes to the overall level of assurance and how best they can be integrated and supported.

Increased focus on the roles and responsibilities of Members and Senior Management has prompted many organisations to place a greater emphasis on assurance activities. This information will be collated in order to develop a Council wide assurance map.

Members/Directors/Heads of Service Assurance Process 2014/2015

Self-Assessment Checklist

Every Director/Head of Service is responsible for delivering the objectives set out in their service plan. Directors/Heads of Service are responsible for identifying and managing the risks that may affect delivery of their service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place.

Every Director, and nominated Head of Service is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework operating within their service(s). An assurance checklist is initially completed and signed off by each nominated Head of Service following their self assessment, identifying any areas of positive governance initiatives and/or significant control issues, the actions taken to address them and the timescales for completion. The statements are then submitted to their relevant Director(s), to provide them with assurance that appropriate governance arrangements are in place within all parts of their areas of business.

To enable the Council to provide reliable evidence to underpin the assessment of risk and control, each section within the assurance statements / self assessment checklist, now provides Management with the opportunity to summarise the key types of assurance they receive and the level of reliance they place on that assurance.

Directors Review

If, having considered the checklists submitted by the Heads of Service, the Director(s) are satisfied that appropriate arrangements are in place in each area, or that any weaknesses identified have a timescale for improvement, they will be able to countersign the statement.

The remedial actions are monitored by the Directors/Heads of Service to ensure all actions are completed within the specified timescales.

Lead Cabinet Member Overview

In addition to obtaining management assurances, Lead Cabinet Members assurances are also fundamental within the framework. To enable these to be gained, each Director and relevant Lead Cabinet Member has discussed the key positive initiatives and/or significant control and governance issues recorded within the assurance statement, at their portfolio holder meetings. Based on these discussions, their own knowledge and understanding and overview of the information recorded/evidence provided, the Lead Cabinet Member has been able to provide the relevant assurances to the Leader.

Leader/Chief Executive

When the Directors/Lead Cabinet Members are confident that there are robust governance arrangements in place within their areas of responsibility, or whether any further improvement actions are needed, the signed assurance statements are provided to the Chief Executive, highlighting any improvement areas for final sign off. This is designed to provide final assurance to the Leader and the Chief Executive that there are appropriate arrangements in place within all areas under the control of each Director for the proper governance of Council business.

The Leader and Chief Executive of the Council have a responsibility to ensure that the document is supported by an embedded assurance framework, reliable evidence and accurately reflects the Council's governance framework.

Chief Executive, Chief Financial Officer, Monitoring Officer

To enable the above, the Council's Chief Executive, Chief Financial Officer and Monitoring Officer, led on the annual governance review and provided oversight and robust challenge to the enhanced process and the resulting AGS, to enable them to be assured that any governance issues identified are being addressed and to ensure that the Council's AGS accurately reflects the current governance arrangements operating within the Council.

5. Progress on 2013/2014 issues identified

Please refer to **Appendix 3** attached, which provides the progress on the actions taken to address the issues identified, as part of the 2013/2014 governance review. Where actions have been partially completed or deferred, they have been included within the 2014/2015 improvement plan at **Appendix 4**.

6. Key findings identified during the 2014/2015 review, including positive initiatives and improvement areas

Whilst a full assessment of the Council's governance arrangements can be found within the Council's Local Code of Corporate Governance (**Appendix 1**), a summary of the main findings of this years review, within Gloucestershire County Council and Gloucestershire Pension Fund, which was co-ordinated by the Chief Internal Auditor, prior to being scrutinised and challenged by the Chief Executive, Chief Financial Officer and the Monitoring Officer and approved by the Corporate Management Team, are set out below:

6.1 The Role of the Chief Financial Officer (CFO)

In accordance with the recommendations on proper practices on the form and content of the Annual Governance Statement for 2014/15, this statement includes the following disclosure about the status of the Chief Financial Officer (the Section 151 Officer), the Strategic Finance Director, in accordance with CIPFA's statement on the role of the Chief Financial Officer (CFO) in Local Government.

The assessment considers the five key principles laid down by CIPFA, as set out below, together with the supporting advice on governance requirements and core CFO responsibilities provided by CIPFA.

CIPFA : Key Principles on the Role of the CFO

***Principle 1:** The CFO in a public service organisation is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.*

Within the Council the CFO is a full member of the Corporate Management Team, reports directly to the Chief Executive of the Council, and attends all joint meetings between the Cabinet and Corporate Management Team, and all meetings of Cabinet. The CFO adheres to all of the advice set out by CIPFA and particularly:

- ❑ Brings influence on all key business decisions;
- ❑ Has full access to all senior officers and Councillors, the Audit and Governance Committee and External Audit;
- ❑ Leads on the development of Corporate Governance arrangements, including the risk management and reporting framework; and
- ❑ Leads on the development of the Medium Term Financial Strategy (MTFS), annual budgeting process and the monitoring and reporting of in year net expenditure.

***Principle 2:** The CFO in a local authority must be 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 alignment with the authority's financial strategy.*

Within the Council the CFO regularly meets with the Chief Executive and Monitoring Officer, the Corporate Management Team and Cabinet in order to ensure that she can bring influence to bear on all business decisions. Specifically regarding the detailed guidance provided by CIPFA, the CFO within the Council:

- ❑ Leads on the development and detailed monitoring of the MTFs;
- ❑ Ensures that all Cabinet reports, on which decisions are made, includes accurate and timely information which is fit for purpose; and
- ❑ Ensures that the Council meets the requirements of the CIPFA codes on Capital Financing and Treasury Management.

Principle 3: *The CFO must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

As set out in this Annual Governance Statement robust governance arrangements exist within the Council in relation to the use and control of financial resources, led by the CFO. Specifically the CFO:

- ❑ Ensures that appropriate advice is always given on all financial matters;
- ❑ Oversees the maintenance of adequate systems of control, which are subject to regular review by Internal Audit, thereby ensuring that robust systems are in place to deliver value for money and prevent fraud and corruption;
- ❑ Jointly ensures, with the Monitoring Officer, the maintenance of an effective Audit and Governance Committee and attends at the meetings of the Committee; and
- ❑ Approves the Annual Governance Statement and ensures that it adequately covers all areas of the control and governance framework.

Principles 4 and 5: *To deliver these responsibilities the Chief Financial Officer must lead and direct a finance function that is resourced to be fit for purpose; and must be professionally qualified and suitably experienced.*

The CFO within the Council is a fully qualified member of the Chartered Institute of Public Finance and Accountancy, has over 20 years experience within the finance function and regularly meets with other S151 officers as part of the Society of County Treasurers.

The CFO leads and manages the finance function, which has been restructured to meet the changing needs and risks of the authority, and which continues to meet required standards.

Overall this assessment has concluded that Gloucestershire County Council's financial arrangements fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

6.2 The Role of the Monitoring Officer

The Monitoring Officer is a statutory appointment under Section 5 of the Local Government and Housing Act 1989.

The Monitoring Officer has responsibilities in relation to governance. The main functions of the Monitoring Officer at Gloucestershire County Council are:

- To report to the Council and to the Cabinet in any case where s/he is of the opinion that any proposal or decision of the authority has given rise to or is likely to or would give rise to any illegality, maladministration or breach of statutory code under Sections 5 and 5A of the Local Government and Housing Act 1989 LGHA 89;
- To investigate any matter, which s/he has reason to believe may constitute, or where s/he has received an allegation that a matter may constitute, a reportable incident under Sections 5 and 5A of the LGHA 89;
- To act as one of the principal advisers to the Authority's Audit and Governance Committee, together with the Director: Strategic Finance;
- To maintain a register of interests of members and co-opted members of the authority; and
- To have responsibility for responding to complaints to the Local Government Ombudsman.

The Monitoring Officer's ability to discharge these duties and responsibilities will depend on Members and Officers:

- complying with the law (including any relevant Codes of Conduct);

- ❑ complying with any general guidance issued, from time to time, by the Audit and Governance Committee and the Monitoring Officer;
- ❑ making lawful and proportionate decisions;
- ❑ complying with the Council's Constitution and Standing Orders;
- ❑ not taking action that would bring the Council, their officers or professions into disrepute; and
- ❑ communicating effectively with the Monitoring Officer and seeking advice on any issues relating to constitutional or ethical matters.

6.3 The Role of the Head of Internal Audit (Chief Internal Auditor - CIA)

In accordance with amended recommendations on proper practices on the form and content of the Annual Governance Statement for 2014/2015, this statement includes the following disclosure about the role of the Chief Internal Auditor (CIA).

CIPFA has issued the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010). The statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them.

CIPFA : Key Principles on the Role of the CIA

***Principle 1:** The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.*

- ❑ The Council's Internal Audit Charter clearly defines the status, role, purpose, authority and functional reporting lines of the CIA i.e. to the Audit and Governance Committee and the Corporate Management Team;
- ❑ The CIA works with members of the Corporate Management Team to give advice and promote good governance throughout the organisation and is a member of key corporate governance boards such as the Challenge and Commercial Assurance Teams; and

- ❑ Risk based internal auditing and planning processes developed and implemented, ensuring that internal audit resources are focused on the key risks facing the organisation, providing the relevant assurances to both members and management.

Principle 2: *The HIA in a public service organisation plays a critical role in delivering the organisation’s strategic objectives by giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.*

- ❑ The CIA provides an annual opinion to those charged with governance on the effectiveness of the Councils governance arrangements, which includes the adequacy of the mitigating controls in place, that manage the key risks; and
- ❑ The opinion feeds into the Council’s Annual Governance Statement

Principle 3: *The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.*

- ❑ The CIA has the right of direct access to the Chief Executive, Monitoring Officer and the Chief Financial Officer; and
- ❑ Where considered necessary for the proper discharge of the internal audit function, the CIA has the right of direct access to elected members of the Council and in particular those who serve on the committees charged with governance i.e. the Audit and Governance Committee.

Principle 4: *The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.*

The CIA leads and directs the Internal Audit function, so that it makes a full contribution to and meets the changing needs and risks of the Council, and which continues to meet required professional standards.

Principle 5: *the HIA in a public service organisation must be professionally qualified and suitably experienced.*

The CIA within the Council is a fully qualified member of the Chartered Institute of Internal Auditors, has over 20 years experience within the Internal Audit function and regularly meets with other CIA's as part of the national Chief Internal Auditors' Network.

Overall this assessment has concluded that Gloucestershire County Council's Internal Auditing arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Local Government (2010).

6.4 Risk Management arrangements

The Annual Report on Risk Management Activity 2014/2015 provides an overview of the effectiveness of risk management within GCC and was presented to the Audit and Governance Committee on the 26th June 2015. The extract below demonstrates where external recognition has been provided as to GCC's effectiveness.

Insurance Tender

In October 2014 the Council's Liability insurers, Travelers, informed the Council that they would be increasing the liability premium rates by at least 100% and therefore the Long Term Agreement with them was broken. As this represented a significant increase in premium the Council's brokers, Marsh, advised the Council to test the market and therefore re-tender the policy.

Travelers informed the Council that the reason for the increase in premium rates was due to a review of their own risk profile, the outcome of which determined that they considered that those authorities with highways and social care responsibilities presented too high a risk to them. They were very clear that the increase was not a specific reflection on Gloucestershire County Council's risk profile. Other Council's have also experienced the same increases.

In view of the above, the Liability Policy was tendered through the Crown Procurement Service Insurance Framework with the contract to be effective from 24th June 2015.

The contract has now been awarded on a 3 year + 2 year option which has resulted in annual savings of around £29k (14%) i.e. £87k over the three year period.

Marsh brokers stated in their tender evaluation report *'We believe that the investment made in both time and effort by Gloucestershire County Council throughout this tender process has been invaluable and has resulted in a positive response from the market'*.

Development and implementation of a Risk Appetite Framework/Guidance

There are numerous definitions of organisational 'risk appetite', but it all boils down to how much of what sort of risk an organisation is willing to take. The HM Treasury definition being: 'The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time.' So why do we need to determine our risk appetite?

If managers are running the business with insufficient guidance on the levels of risk that are legitimate for them to take, or not seizing important opportunities due to a perception that taking on additional risk is discouraged, then business performance will not be maximised. At the other end of the scale an organisation constantly erring on the side of caution (or one that has a risk-averse culture) is one that is likely to stifle creativity and not necessarily encouraging innovation, nor seek to exploit opportunities.

Risk Management and Insurance Services have developed a framework to enable risk judgements to be more explicit, transparent and consistent. By enhancing our approach to determining risk appetite, we will be able to raise the Council's capability to deliver on challenging targets to raise standards, improve service quality, system reform and provide more value for money.

The framework considers all levels of the business from strategic decision making to operational delivery and was highlighted as good practice by the Council's external auditors.

Risk leadership skills and behaviours

To enable the above and further embed good risk leadership into the culture of the Council, the leadership skills and behaviours have been enhanced, which now include reference to leaders *encouraging conscientious risk taking, being prepared to take a "calculated" risk, creating shared ownership of risk and being risk averse*. This evidences that the Council supports well-managed risk taking and innovation.

Internal Audit's review of Risk Management

In addition, Internal Audit provides an opinion on the effectiveness of risk management arrangements on each audit activity.

The outcomes during 2014/2015 highlighted that in **96%** of the audited areas Internal Audit rated the effectiveness of the risk management arrangements as substantial or satisfactory, with **46%** rated as substantial and **50%** satisfactory, with the remaining **4%** obtaining a limited assurance opinion. Where limited assurance opinions are given on audits of strategic importance, they are provided to the relevant risk champions within the Council to ensure that they are placed on the relevant risk registers.

The monitoring of the implementation of the recommendations is then owned by the relevant manager and helps to further embed risk management into the day to day management processes. These opinions also help to inform the work priorities of Risk Management and Insurance Services.

Internal Audit also undertake, on a rotational basis, detailed reviews on the effectiveness of risk management arrangements, operating across all service areas, looking at the Strategic and Operational Performance/Business Plans/Project Plans and associated Risk Registers, to ensure that actions recorded to mitigate risks are in place and operating as intended.

Management Assurances

The assurance statements obtained from all Directors and Service Heads, provided assurance that the majority of management are aware of and apply the Council's Risk Management Strategy and principles, within their service areas.

These internal and external assessments, coupled with the external recognition received for the numerous risk management initiatives undertaken over past years, and the detailed risk based assurance statements obtained as part of the formulation of the Annual Governance Statement, has led to conclude that robust risk management arrangements operate within the authority.

6.5 Financial Management and reporting arrangements

In the latest Annual Audit Letter the External Auditor issued an unqualified audit opinion, confirmed that proper arrangements were in place to secure value for money and did not identify any material weaknesses in the Council's internal control arrangements.

During 2014/15, regular financial monitoring reports were presented to Corporate Management Team, Cabinet and Scrutiny Committees.

Although those reports highlighted risks regarding demand led budgets, they forecast an overall position whereby net expenditure was contained within the overall budget. Indeed, despite having to make savings of £22 million, an overall underspend of around £1.3 million was achieved.

6.6 Fighting Fraud Locally

Radical changes to how local services are to be delivered continue. The change of emphasis from the Council being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed.

All of these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets. These factors support the need to ensure that the Council has a resilient response to the changed conditions. The Council annually publishes information about the counter fraud work undertaken via the Annual Report on Internal Audit Activity, in June of each financial year.

Anti Fraud and Corruption Policy Statement and Strategy 2014/2015

The Council's Anti Fraud and Corruption Policy Statement and Strategy 2014/2015, was developed in line with national public sector standards. The approved strategy is communicated, at regular intervals, to all managers and key stakeholders, alongside the latest whistleblowing policy (confidential reporting procedure) within the new Employee's Code of Conduct, to raise awareness and help us to further reduce the risk of fraud within GCC.

Fraud Governance within GCC

The Council's Audit and Governance Committee has a specific role regarding fraud, which is to monitor the adequacy and effectiveness of the arrangements in place for combating fraud and corruption and the Chief Financial Officer is responsible for preventing fraud and corruption and the development and maintenance of an Anti Fraud and Corruption Policy.

In addition, the Council's Chief Executive, Chief Financial Officer and Monitoring Officer are regularly updated on all irregularities and External Audit annually assesses the effectiveness of the Council's anti fraud and corruption arrangements. These assessments have been positive.

6.7 Audit arrangements, including the Audit and Governance Committee

Effective audit arrangements operate within the Council, provided by an in-house internal audit service and external audit provided by Grant Thornton. Both internal and external audit submit detailed risk based annual plans to the Audit and Governance Committee of the Council, together with regular monitoring reports highlighting key recommendations for improvement and management actions taken. Clearly, for audit to be effective, it is important that appropriate action is taken in relation to key recommendations made.

During 2014/15 the external auditors found no material weaknesses in the system of internal control, comprising risk management, control and governance within the Council.

Internal Audit

One of the key roles of the Council's Chief Internal Auditor is to provide an opinion on the overall adequacy and effectiveness of the organisation's internal control environment, and disclose any qualifications to that opinion, together with the reasons for the qualification.

Internal Audit's Opinion on the Council's Internal Control Environment

In providing the opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance.

Chief Internal Auditor's Opinion

I am satisfied that, based on the internal audit activity undertaken during 2014/15 and management's actions taken in response to that activity, enhanced by the work of other external review agencies, sufficient evidence is available to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of Gloucestershire County Council's overall internal control environment.

In my opinion, for the 12 months ended 31 March 2015, Gloucestershire County Council has a **satisfactory** overall control environment, to enable the achievement of the Council's outcomes and objectives. However, at this time we are unable to give an opinion on the effectiveness of the Council's ICT control environment due to the ICT audit plan not being completed due to the change over/transitional arrangements of both the Council's ICT provider and ICT audit provider, both of which occurred during the same time period.

Actions are currently being taken to address this issue; however, all key ICT audits have been carried forward into 2015/2016 audit plan, to enable an opinion to be provided once completed.

Action required

The Chief Internal Audit to work with the Council's ICT Service and ICT Auditors to ensure that all 2015/2016 audits included within the audit plan are undertaken and finalised by the 31st March 2016, to enable an opinion on the ICT control environment, to be provided. The findings of this review and ongoing monitoring of the actions taken by the Council are of sufficient significance to be included within the key governance issues arising from the 2014/2015 governance review, as set out in **Appendix 4** of the statement.

Regarding internal audit reports, the Audit and Governance Committee have, during 2014/15, taken the opportunity to follow up on progress on all key audit recommendations in relation to audit reports where only limited assurance was given. They did this by requesting the attendance at their meetings of key operational officers who are asked to report on progress.

This improves accountability and ensures that key recommendations are actioned to the satisfaction of the Audit and Governance Committee.

During 2014/15, six “limited assurance opinions on control” internal audit reports were issued (representing 17% of the overall audit activity), which related to:

Audited Service Area	Date reported to Audit and Governance Committee
Developer Contributions	30th September 2014
Business Continuity Management	23rd January 2015
Gloucestershire Care Partnership, contract management arrangements	23rd January 2015
Workforce Development of Social Workers	23rd January 2015
Financial Assessment and Benefits Team	17th April 2015
Public Transport Contracts Decision Making	26th June 2015

Whilst 17% of the audited activity was rated as a limited opinion, 83% of the activities reviewed have received either a substantial (14%) or satisfactory (69%) opinion on control.

Internal Audit effectiveness

The Accounts and Audit Regulations 2015 require relevant bodies ‘to conduct an annual review of the effectiveness of its internal audit’. (Please refer to the Annual Report on Internal Audit Activity 2014/2015 reported to the Audit and Governance Committee on 26th June 2015), which provides further information about the effectiveness of the Internal Audit function and its findings.

This process is also part of the wider annual review of the effectiveness of the internal control system, and significantly contributes towards the overall controls assurance gathering processes and ultimately the publication of the Annual Governance Statement.

The Accounts and Audit Regulations 2015 also state that internal audit should conform to 'proper practices' and it is advised that, during 2014/15 proper practice for internal audit is set out in the Public Sector Internal Audit Standards (PSIAS) 2013.

The Internal Audit Charter and the Audit and Governance Committees Terms of Reference both reflect the requirements of standards.

These standards also require the Chief Internal Auditor to report annually on conformance to the standards, reporting any key non conformance in the Annual Report on Internal Audit activity and the Annual Governance Statement.

Audit and Governance Committee

Given that Internal Audit and the Audit and Governance Committee form an integral part of the Council's overall governance framework, and are an important source of assurance in respect of the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial performance, their effectiveness was reviewed against the CIPFA publication - Audit Committees – Practical Guidance for Local Authorities 2013 in relation to the 2014/15 financial year.

The Audit and Governance Committee" comprises of 9 members with a Chairman who is not part of the Executive.

Its primary role, as laid out in the Constitution, is to provide independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, to oversee the financial reporting process, and to ensure that Members maintain high standards of probity in their public life by carrying out investigations in respect to allegations of misconduct by a Member or co-opted Member.

6.8 Challenge Team

The Challenge Team's role is to develop and oversee a programme of challenge which supports priority-setting, options appraisal, development of strategy, decision-making, resource allocation and monitoring of implementation, to identify opportunities to save money, avoid expenditure and improve performance by encouraging a culture of challenge throughout GCC. The Board's priorities for 2014/15 are to:

- ❑ retain a focus on rigorous commissioning (i.e. after the project scope stage and before options appraisal);
- ❑ provide independent capacity to review significant issues arising from performance, finance and risk monitoring;
- ❑ create capacity to support the new "Meeting The Challenge – Together we can" (major change programme) and MTFS process, with a focus on transformational change (demand management, service redesign, resilience) as well as value for money/efficiency; and
- ❑ promote and support the development of a culture of challenge for all staff. This would include self-challenge, peer review, quality assurance processes, skills and capabilities etc.

Commercial Service

During 2011 we changed the way the County Council works, adopting the "commissioning council" model, helping us to think about our work in terms of outcomes, and not just services. This means that the Council faces an increasingly complex commercial environment with the need to balance the growing desire for decentralisation, localism and individual choice with increasing market complexity, greater regulation and the need to do more with less. Making the right commercial decisions, developing and managing markets and commercial relationships therefore becomes an increasingly vital competence to ensure that quality, service and cost outcomes are met or exceeded.

With 70% of our budget now spent externally, we need to secure better value for money and, crucially, to guarantee that we receive the services we pay for and provide the services our customers actually need.

The Council's commercial vision is:

By March 2015, the Council will be widely recognised by its stakeholders and other commercial partners as a leading exponent of sound commercial practices.

With 70% of its non schools budget spent externally, this will underpin the Council's role as a commissioning organisation and increase the contribution of third part savings to the overall efficiency, performance and quality agenda. As such, in order to strengthen our commercial management across the Council, the Commercial Service was launched in April 2014.

Commercial Assurance Team

In addition, a Commercial Assurance Team has been set up to:

- ❑ provide a governance overview of the adequacy and effectiveness of commissioning, procurement and contract management arrangements;
- ❑ ensure that prior to any decision to make a financial commitment to a third party, a clear business rationale exists, that options including de-commissioning and collaboration have been assessed, and, where an external procurement is proposed, a procurement strategy is in place;
- ❑ ensure that the Council as a whole is positioned to secure optimum value for money, manages its external supply risk and achieves its desired service outcomes; and
- ❑ provide Council/Corporate Management Team with an overview of the performance of all commercial activity to support achievement of corporate objectives.

6.9 Gloucestershire Local Government Pension Scheme (LGPS) Pension Fund

Gloucestershire County Council is the administering body for the Gloucestershire (LGPS) Pension Fund.

Internal Audit reviewed the controls in place for the three main areas of governance, pension administration and investment management.

Based on this work Internal Audit has concluded that satisfactory assurance has been obtained that the controls are operating as intended.

Governance

Internal Audit examined the various reports, policies and statements, which are published on the Gloucestershire County Council website, namely the annual report, statement of investment principles, funding strategy statement, communications policy statement, Governance Policy statement, Governance Compliance statement, pension administration strategy and the actuarial valuation report.

The latest triennial actuarial review was in respect of the fund as at 31st March 2013 and as a result employer's contributions were revised from 1st April 2014.

During 2014/15 the Department for Communities and Local Government (DCLG) continued to consult on new scheme governance arrangements for the LGPS scheme.

In January 2015 new regulations were approved by Parliament requiring LGPS administering authorities to set up a Pension Board from 1st April 2015. At its meeting of 18th February 2015 the Pension Committee approved the terms of reference of the new Pensions Board, which will hold its inaugural meeting in July 2015.

Internal Audit is satisfied that all published statements are satisfactory and changes have been approved by the Pension Committee. The annual business plan which was approved by the Pension Committee in February 2015 sets out a timetable for the review of key policies, which are revised if necessary. The Governance Policy statement and Governance Compliance statement were reviewed and approved by the Committee in February 2015. The Policy statement now includes reference to the Pension Board.

The Governance Compliance statement identifies the level of compliance against best practice principles. With the exception that not all stakeholders are represented within the committee structure, the authority is fully compliant. The reason given for this is 'concern over the logistics and potential size of the committee'. The Committee have agreed to keep the membership as it is but to review it if a request for representation is received from one of the large employers.

External Fund Managers

Internal Audit has examined the latest published accounts and the latest internal control statements of all fund managers. There were no qualifications to the opinions given.

There have been no changes to the fund managers during the year.

Performance Monitoring

All of the fund managers report regularly on their performance to the Pension Committee. In addition key officers and the independent advisor meet fund managers in London on a quarterly basis, reporting back to the following Pension Committee. In August 2014, the Committee approved a change in the independent advisor following the resignation of the incumbent. The independent advisor provides advice on the financial markets, the strategic asset allocation and fund management.

In addition the custodians record the performance against the agreed benchmarks and this is reported to the Committee. GCC have also engaged a specialist company who independently measure the performance of the funds. Gloucestershire continue to perform well against the local authority universe, with performance ranking within the top decile for 2014.

In accordance with Myner's principle 1, members of the Pension Committee should have sufficient skills, knowledge and expertise to be able to make effective decisions and challenge the advice they are given. All committee members are asked to attend 3 days of fundamental pensions training, when they first join the committee. There were no new members in 2014/15. In August 2014 an in-house training day took place for the Committee, with training provided by officers, the fund's independent advisor and external fund managers. Training records are maintained for all members.

Management of funds risks and controls

As part of the annual report and funding strategy statement the administering authority assesses and publishes its risks under four main headings:

- ❑ Investments/financial;
- ❑ funding/demographic;
- ❑ administration/regulatory; and
- ❑ governance.

Mitigating controls are documented against each risk.

Internal Audit are satisfied that the key documents required to mitigate these risks including the actuarial review – triennial valuation and the fund strategy statement are in place and are reviewed on a regular basis. The statement of investment principles was due for review in 2014 and is planned to take place once the results of the DCLG consultation on opportunities for collaboration, cost savings and efficiencies in the LGPS is known. The outcome of this consultation is still awaited.

In February 2015 a detailed risk register was taken to the Pension Committee. Members welcomed this and asked that it should be taken back to committee twice a year.

Pension Fund Administration

The Gloucestershire Pension Fund participates in the annual CIPFA benchmarking club, which compares them to 49 other LG Pension Funds. The latest results show that the costs per member have reduced by 9% compared to the previous year and continue to be well below the average; within the lowest cost quartile.

The new LGPS 2014 came into force in April 2014. Lead Pension Officers undertook externally provided training, which was then disseminated to all pension's administration officers. Since then training has been provided on an ad-hoc basis. The new regulations represented a significant change to the scheme and have impacted on calculations and provision of advice to active members, as they now reflect both pre-2014 and post-2014, benefits.

National delays in interpretation of regulations, provision of software and local extraction of information from SAP, particularly in relation to HMRC annual allowances have created a backlog of work. Whilst the pensions administration continue to ensure that critical requests such as retirements are dealt with promptly, requests for pension estimates are taking longer to process.

The Pension Administration Section undertakes a variety of exercises to mitigate against risk of losses to the fund including validation of pension contributions and checks to reconcile lump sum payments.

Under the LGPS14 career average system (CARE) it is more critical that correct and timely information is received from employers. The Pension Administration Strategy, which enables the pension fund to charge the employer for late notification and to recover additional costs that may be incurred by the Pension Scheme, was revised in February 2015.

6.10 Budget Scrutiny/Performance Management/Business Planning arrangements

This area has been covered in numerous inspections in recent years, with positive comments always being made.

Corporate Performance Management, Strategic and Business Planning continue to be an integral part of working arrangements within GCC, both at officer and member level, with strategic performance reports being submitted to the Corporate Management Team, Cabinet and the Overview and Scrutiny Management Committee, (who led on the budget and performance scrutiny process during 2015/16) and performance against Business Plans being monitored by the relevant Scrutiny Committees.

6.11 Programme and Project Management arrangements

GCC has invested significantly in continuing to strengthen the arrangements we have in place for programme and project management. There is a clear portfolio of projects which have been designed to meet the significant challenges the Council is facing. These projects are managed in accordance with good practice principles and are systematically reviewed as part of the corporate performance and risk management and reporting framework.

6.12 Independent external reviews of the Council

Serious Case Review

During 2014-15, the Gloucestershire Safeguarding Adults Board commissioned an independent adult serious case review into sexual assaults and financial abuse committed against vulnerable adults in home x in Gloucestershire. The review identified a number of areas where safeguarding could be enhanced. A Serious Case Review Action Plan is now available and is being worked on. This work is being coordinated and overseen by the Safeguarding Adults Board. In addition, the Council's Internal Audit function will provide professional risk and control advice and support as required, as part of the implementation of the action plan.

SAP Quality Award

The Council won a Gold Quality Award (representing UK and Ireland) and the silver award for Europe, Middle East and Africa region, for its rapid delivery of a new budget monitoring system.

SAP, one of the world's biggest business software organisations, presented the Council with the award in recognition of excellence for the implementation of its new budget monitoring and forecasting solution.

Working with partner Capgemini the Council effectively and efficiently delivered monthly forecasts and reports, with the project delivering clear business benefits. Delivered over six months, the project was completed on budget, and more than 350 staff who use the system were successfully trained during its implementation.

The project resulted in £280k of financial savings for the Council and users now follow a more simplified and automated process. There is improved transparency of information which supports the decision taking for those staff with financial responsibility.

As well as making financial savings, the Council has also achieved efficiency benefits for those using the system. The new system is simpler to use, less time consuming, has an easier reporting functionality and quicker reporting timescales.

External Audit

In terms of the Governance statement for 2014/15, further key assurance has been obtained from the most recent Annual Audit Letter produced by the External Auditors, based on findings from the 2013/14 audit (latest set of audited accounts), and reported to the Audit and Governance Committee in January 2015. In this letter the auditors set out their main responsibilities and the basis on which an assessment on the adequacy of the County Council's financial arrangements and statements, internal control arrangements and arrangements for securing financial resilience and securing value for money, has been made.

In relation to the above, the external auditor issued an unqualified opinion on the Council's 2013/14 financial statements, confirming that the statements give a true and fair view of the Council's financial position. The external auditors also issued an unqualified Value for Money conclusion for 2013/14, stating that in all significant respects the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. No significant weaknesses were identified by the External Auditor.

External Quality Assessment of the effectiveness of Internal Audit

The objective of an External Quality Assessment (EQA) review is to undertake an independent assessment of the effectiveness of Gloucestershire County Council's internal audit function. This review was undertaken during May 2015 by the Chartered Institute of Internal Auditors and included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the Public Sector Internal Audit Standards, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance. The Chartered Institute of Internal Auditors stated:

'It is our view that GCC's internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'.

6.14 Cabinet and individual Cabinet Members decision making arrangements / scrutiny arrangements

Cabinet and individual Cabinet Members decision making arrangements continued to operate effectively during 2014/15.

The Council's Scrutiny committees provide an opportunity for councillors to hold decision makers to account for their actions, review under-performance and help in developing policies. The committees do not just look at services provided by the Council but also those provided by partner organisations such as the NHS. They are well placed to address issues of local concern and provide opportunities for public involvement.

A key piece of scrutiny work undertaken during the year related to the scrutiny of the Council's 2015/2016 budget process, with a report being submitted to, and considered by Cabinet, as part of the budget setting process.

The Council is recognised nationally as one of the leading scrutiny authorities and works closely with public sector partners.

The Council was successful in winning the Centre for Public Scrutiny's 'Overall Impact' award in 2012 for its work with community representatives in examining the Environment Agency's proposals south of Gloucester.

The Council has also been shortlisted for the 2015 Centre for Public Scrutiny awards for the scrutiny review of the community impact of the pilot badger cull in West Gloucestershire. In October 2014, a group of members were invited to present the review's findings to the Rt Hon Elizabeth Truss MP at the Department for Environment, Food and Rural Affairs.

More information on the roles and responsibilities of the Council's Scrutiny Committees can be accessed at:

<http://glostext.gloucestershire.gov.uk/ieDocHome.aspx?Categories=>

6.15 Executive decisions taken by Officers

The Council's decision making process is under greater scrutiny than ever before, both from elected members and members of the public. It is therefore extremely important that we have robust decision making and recording procedures in place.

During 2014/2015, the procedural framework for documenting and publishing executive decisions taken by officers under delegated powers, which includes decisions taken over £250k, continued to be reviewed and further enhanced to embed further accountability and enable challenge to decisions, prior to them being formally approved.

In addition, the Monitoring Officer has reinvigorated the governance remit of the Statutory Officers (Chief Executive, Chief Financial Officer and Monitoring Officer) and is currently developing a new approach to better decision making. This will include streamlining and clarifying the decision making process for staff while continuing to ensure the Council is making good decisions based on the principles of good governance.

The Council's Constitution is updated as and when changes arise.

6.16 Standards of conduct of officers and members (including the role of the Audit and Governance Committee) and adherence to the law

The Audit and Governance Committee continued to operate effectively during 2014/15. As provided in the Council's Constitution, "the purpose of the Audit and Governance Committee is to maintain high standards of probity amongst members through the provision of advice, training and by carrying out investigations in respect of allegations of misconduct by a member or a co-opted member".

Regarding complaints to the Ombudsman, the Council's Chief Executive, Chief Financial Officer and Monitoring Officer oversees all such complaints and the complaint outcomes are monitored on an ongoing basis. In 2014/15, no findings of maladministration with injustice were made.

6.17 Governance of Stakeholder relationships- Leadership Gloucestershire – Working together for you

Leadership Gloucestershire (LG) brings together public sector organisations which allocate and spend significant resources in Gloucestershire.

Its role is to provide vision, leadership and strategic direction in those areas where it is vital for organisations to work together to meet the needs of the people and communities of Gloucestershire in the most cost effective way.

Leadership Gloucestershire will work together to reduce current costs, minimise future costs and deliver better outcomes for the benefit of the people of Gloucestershire. These pages set out the arrangements for strategic partnership working in Gloucestershire.

<http://www.gloucestershire.gov.uk/extra/leadershipgloucestershire>

Risk leadership in partnerships and alternative service delivery models

The range of partnerships, contractual arrangements and alternative service delivery models now being adopted by the Council evidences how much change and innovation there is in the local government sector. However, these new arrangements bring new risks. The challenge for the Council is to implement robust and proportionate governance arrangements in these new delivery models, without stifling innovation.

To be able to respond to the above, the Council has developed and successfully implemented partnership/contractual governance frameworks, which includes applying the principles of good risk management and using the risk appetite model to help direct resources and inform decisions. In addition, from April 2014, new leadership behaviours have been adopted, which encourages well thought-through risk taking, to enable the Council and its partners to achieve the partnership priorities.

Action Required

To ensure that Partnerships and contractual arrangements are underpinned by a common vision of their work that is understood and agreed by all Partners, Corporate Risk Management and Challenge Team to review the key partnership/contractual governance arrangements, working with the relevant managers and support services, to ensure they are operating effectively. This will include the common understanding between all partners/providers of the risks they face and how they will be managed, clearly defined roles and responsibilities and decision making processes. The findings of this review and ongoing monitoring of the actions taken by the Council are of sufficient significance to be included within the key governance issues arising from the 2014/2015 governance review, as set out in **Appendix 4** of the statement.

7. Other Issues

Ongoing changes to the Council's governance structures

The challenges faced by the Council continue to intensify. Austerity and central government funding reductions combined with demographic pressures, capacity to deliver and long term sustainability issues, heighten the importance of alternative service delivery models to local authorities as an avenue for both cost savings and innovation, when deciding how services are to be delivered.

In responding to this challenge, the Council is increasingly using commissioning and partnerships/shared services with other local authorities and sectors as a vehicle for delivering public services, to ensure that waste and inefficiency are reduced and resources deployed in areas that matter to people who need our services.

Shared services and collaborative working provide many important opportunities. By introducing new business structures, improving processes and deploying new technologies and management systems, such approaches have a major role to play in improving cost-effectiveness, resilience and service quality.

Alternative Service Delivery Models

Future joint working arrangements with Gloucester City Council

During 2014/2015 members of both the Gloucestershire County Council and Gloucester City Council endorsed the appointment of a joint role of Managing Director for Gloucester City Council and a Joint Strategic Commissioning Director for the County Council. The Managing Director role will be accountable to the Leader and Cabinet of Gloucester City Council and the Strategic Commissioning Director role will report to the Chief Executive of Gloucestershire County Council.

This is a fundamental role for the progression and development of both Councils' strategic objectives. This is about innovation, collaboration, influencing and ensuring we make the essential links across both organisations through understanding the needs and capacity of our community. Then it's translating that into how best we can sustainably target limited resources to manage the demand for services and support.

Internal Audit and Risk Management Shared Service

With effect from 1st June 2015, Gloucestershire County Council, Gloucester City Council and Stroud District Council entered into an Internal Audit and Risk Management shared services collaboration agreement. This collaboration presents a real opportunity across the three authorities, to:

- Achieve efficiencies from the employment of a single Chief Internal Auditor, across the three authorities;
- Pool expertise to strengthen business delivery to the benefit of the clients;
- Provide critical mass and improved business resilience e.g. enabling the risk of sickness and vacancies to be better managed;
- Enhanced ability to undertake thematic reviews across the three authorities to share best practice across the shared service;
- Enabling succession planning, career opportunities and development for staff;
- Optimising use of resources through a modern collaborative approach;
- Achieving economies of scale through shared training and procurement;
- Increased capacity, flexibility and specialist knowledge from pooling staff resources; and
- Benefits of adopting common day to day audit reporting and procedural approaches driven by a single Audit Management System for the shared service, along with common audit committee reporting protocols/methodologies/formats.

Whilst the benefits of this are widely recognised, partnerships/shared services and the cross cutting issues with which they often deal, create some challenges for clear accountability and good governance. However, the Council strives to ensure that working arrangements demonstrate clear lines of accountability for stakeholders and customers taking into consideration each partner organisations' own governance and structure.

Financial challenges

The Council faced a challenging year in 2014/2015 as it sought to manage budget reductions and increasing demand for some key services during a period of ongoing changes made to the organisational structure of the Council.

Looking to the future, we expect the financial climate to continue to be challenging for all councils. Although the economy is recovering, and Gloucestershire's recovery has been more rapid than most, we expect there to be further reductions in the amount of money councils have to spend. This means that for the County, we estimate that this will result in a budget gap of around £75m over the next three years. We also know that changes in our demographics will mean that more and more people need help and support. This is particularly true of services for vulnerable children and adults, where improvements in healthcare mean that more people will need help for longer. If we carry on in the same way, a greater proportion of our budget will need to be spent on supporting vulnerable people, reducing what is left to be spent on other essential services.

Public Consultation - Meeting the Challenge (MTC) – Together we can

Four years ago we launched our last Council Strategy: 'Meeting the Challenge'. It set out our response to anticipated reductions in public sector funding and the need to save money across our services. It was the result of extensive consultation with local people and detailed planning by councillors and council officers. It set out how we intended to make £114 million of savings.

Four years on, we are on track to achieve that target. We have achieved that by focussing relentlessly on ensuring everything we do reflects what local people need and expect from their council. We have streamlined our organisation, reducing staff numbers, reducing our buildings and finding more and more ways to deliver services efficiently and at a lower cost to the taxpayer.

There have been difficult decisions to make, but we have delivered on the commitments we made to focus on the most vulnerable, to protect adult social care budgets, to help communities step forward where we were withdrawing a service and to get our own house in order by looking for internal efficiencies before reducing services to the public.

The changes we have already made within the Council will help us to make this happen, but we know that our efforts alone will not be enough. We will need local people and communities to work with us and to forge a different sort of relationship with their Council.

That is why we have called our strategy “Meeting the Challenge: Together We Can” to enable us to join forces to make a difference for local people. An MtC Board has been set up to monitor the MtC portfolio, in particular risk assess savings, undertake deep dives and ensure that the budget can be balanced. The Council has demonstrated its ability to deliver such savings and service realignment, and continues to develop and implement plans to address the challenge.

Residual Waste Project

The residual waste project experienced a significant planning delay during 2014/15 with a positive Secretary of State decision finally announced in January 2015, which was subsequently challenged by Stroud District Council. The project was subject to a special County Council debate in February 2015. The next critical date for the project is 25th June 2015, when the legal challenge to the Secretary of State’s decision by Stroud District Council will be heard.

8. Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Local Code of Corporate Governance, have been effectively operating during the year with the exception of those areas identified in **Appendix 4**. 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.

Signed:



Peter Bungard
Chief Executive



Mark Hawthorne
Leader of the Council



Jo Walker
Director: Strategic
Finance (S151)

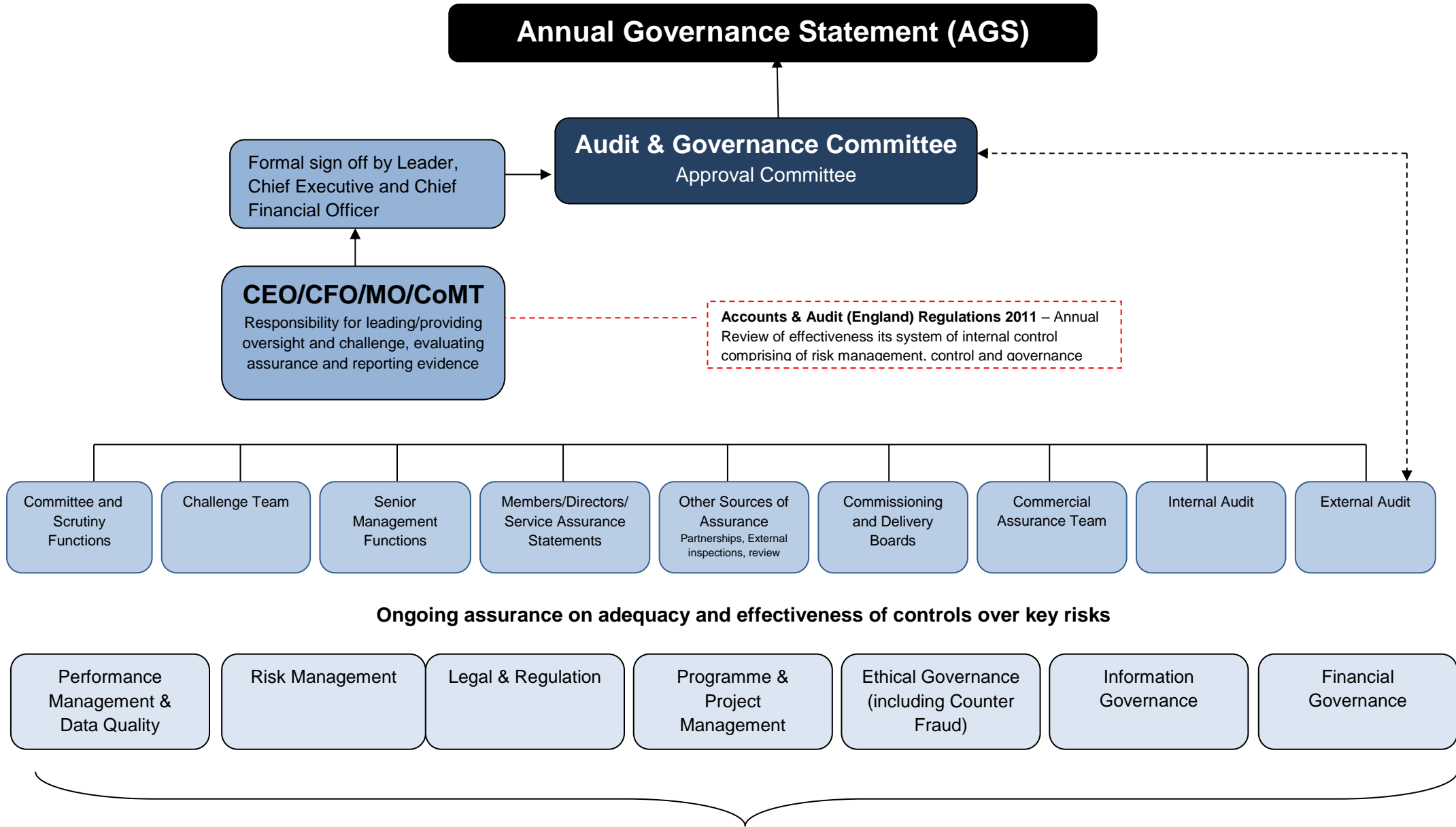
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Gloucestershire County Council's Governance Framework 2014/2015



Progress on 2013/2014 Governance Issues

As a result of the 2013/2014 review of governance arrangements, the following governance issues were identified. Progress on these issues are summarised below.

Review Reference	Action	Target Date	Progress as at 31 st March 2015
<p>B/F from 2012/2013 Review</p> <p>Local Code of Corporate Governance (LCCG)</p> <p>Governance Principle 4.1</p>	<p>Cotswold Water Park actions - Internal Audit compliance review</p> <p>Internal Audit to review compliance with the following revised policies, systems and processes, reporting the outcomes to the Audit and Governance Committee:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Follow up review of the Complaints Policy/System; and <input type="checkbox"/> Officers Scheme of Delegation. 	<p>Completed</p> <p>Completed</p>	<p>Complaints Policy/System The audit was undertaken and outcomes reported to the Audit and Governance Committee.</p> <p>Officers Scheme of Delegation The audit was undertaken and outcomes reported to the Audit and Governance Committee.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
<p>B/F from 2012/2013 Review</p> <p>AGS Page 21</p>	<p>Audit and Governance Committee self-assessment against mandatory auditing standards/revised guidance</p> <p>Due to the changes in the role and functions of the Audit and Governance Committee, a self-assessment will be undertaken during 2014/2015, led by the Chief Internal Auditor, in full collaboration with the Director of Strategic Finance, Head of Financial Management and the Audit and Governance Committee, against the CIPFA publication - Audit Committees – Practical Guidance for Local Authorities 2013.</p>	<p>Completed</p>	<p>Review of the Effectiveness of the Audit and Governance Committee</p> <p>A workshop was held with the Members of the Audit and Governance Committee on the 27th November 2014. Officer attendees included the Head of Financial Management, Chief Internal Auditor, The External Auditor and the Democratic Services Advisor. A self assessment against recommended practice was undertaken. Improvement areas were identified and an action plan developed. The review will be reported in the Committee's Annual Report to full Council.</p>
<p>2013/2014 Review</p> <p>AGS Page 22</p>	<p>Adherence to Public Sector Internal Auditing Standards 2013</p> <p>The self assessment has identified that the internal audit service meets the requirements of the new standards, with the exception of the one key new area as summarised below:</p> <p>The Chief Internal Auditor is required to ensure that an external assessment of the service is undertaken by people external to the internal audit activity with sufficient knowledge of internal audit practices and standards, at least once every five years.</p>	<p>Completed</p>	<p>Internal Audit External Quality Assessment</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
	<p>Action: The Chief Internal Auditor will undertake an options appraisal to identify the pros and cons of the various external assessments available and present a proposal to the Audit and Governance Committee.</p>	<p>Options appraisal completed</p> <p>External Quality Assessment completed</p> <p>Outcomes to be reported to the Audit and Governance Committee on 26th June 2015</p>	<p>An options appraisal had been completed and the recommended assessor was proposed to the Audit and Governance Committee on the 23rd January 2015.</p> <p>The assessment was undertaken during May 2015 with the outcomes reported back to the Audit and Governance Committee, by the assessor, on the 26th June 2015.</p>
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 1.3-page 11</p>	<p>Value For Money. The County Council is required to:</p> <p>Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively.</p> <p>Action: The Director of Finance to consider the development of a corporate good practice guidance note on how to assess and measure VFM and to integrate into the option appraisal/challenge and decision making processes.</p>	<p>Completed</p>	<p>Value For Money</p> <p>A Value for Money policy has been developed and implemented. The Policy was presented to Audit and Governance Committee on 11th April 2015.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 1.3-page 11</p>	<p>Environmental Impacts. The County Council is required to:</p> <p>Measure the environmental impact of policies, plans and decisions.</p> <p>Action: The Head of Risk Management to ensure that the ongoing quality assurance processes of all key projects and programmes and contractual arrangements includes the consideration of environmental impacts.</p>	<p>Completed</p>	<p>Environmental Impacts</p> <p>Environmental risk/impact is one of the Council's key categories of risk, which should be considered by management, when delivering the Council's priorities/objectives i.e. fully integrated into decision making, business planning, option appraisals, programme, project and contract management arrangements.</p> <p>Corporate risk management ensures due consideration has been given to environmental impacts as part of the mandatory 'risk' sign off process, at all the key programme and project management gateways.</p>
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 2.2-page 13</p>	<p>Scheme of Delegation. The County Council is required to:</p> <p>Determine a scheme of delegation and reserve powers within the Constitution / Partnership Arrangement including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p>	<p>Ongoing</p>	<p>Adults and Public Health Scheme of Delegation.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
	<p>Action: A detailed scheme of delegation is currently being developed by the Commissioning Director: Adults and Public Health.</p>	<p>Transferred to 2015/2016 Action Plan</p>	<p>A detailed delegation of functions is currently being developed by the Commissioning Director: Adults and the interim Director of Public Health.</p>
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 4.2-page 27</p>	<p>Executive decisions. The County Council is required to:</p> <p>Ensure that those making decisions whether for the authority or the partnerships are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p> <p>Actions: During 2014/2015 further support/ training/guidance will be provided to management, by the Executive Support Manager, to ensure that all decisions are made in accordance with the Council's Constitution and are supported by good quality documentation.</p> <p>Internal Audit to review compliance with the Council's decision making processes during 2014/2015.</p>	<p>Ongoing</p> <p>Completed</p>	<p>Executive decisions</p> <p>During 2014/2015 the Head of Democratic Services and Executive Support Manager have delivered and will continue to deliver political awareness sessions across the Council's services. These sessions include sections on executive decision making within the Council.</p> <p>The Monitoring Officer and Executive Support Manager are also currently reviewing the Officer Executive Decision Making process a year on from when it was launched to staff. A report was presented to CoMT in October 2014 which updated them on the number of officer decisions recorded under the new process and also of those, the number that have been published. Improvements are being piloted over the summer, which will also be informed by the outcome of the internal audit review of the Council's decision making arrangements.</p>

Review Reference	Action	Target Date	Progress as at 31 st March 2015
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 5.1-page 31</p>	<p>Developing the capability of Officers. The County Council is required to:</p> <p>Provide induction programmes tailored to individual needs and opportunities for Officers to update their knowledge on a regular basis.</p> <p>Action: Political awareness sessions to be ‘rolled out’ to a wider number of staff by the Head of the Democratic Services Unit.</p>	<p>Ongoing</p>	<p>Political Awareness Sessions</p> <p>During 2014/2015 the Head of Democratic Services and Executive Support Manager have delivered and will continue to deliver, political awareness sessions across the Council’s services.</p>
<p>2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 6.1-page 37</p>	<p>Scrutiny Function. The County Council is required to:</p> <p>Publish an annual report on the activity of the scrutiny function.</p> <p>Action: An annual scrutiny report for 2012-13 was not published following the election in May 2013. It will be published in 2013-14 in a revised format focusing on scrutiny outcomes.</p>	<p>Completed</p>	<p>Annual Scrutiny Report</p> <p>The annual scrutiny report was presented to the Overview and Scrutiny Management Committee on 18th September 2014 and Council on 26th November 2014.</p> <p>A scrutiny review has now also been completed involving county councillors, district councillors and senior officers. Overall, scrutiny is thought to be working well and no structural changes have been requested. Some changes in working practices will be adopted to address the issues raised by members.</p>

Improvement Plan - 2014/2015 Governance Issues

As a result of the 2014/2015 review of governance arrangements, the following governance issues were identified.

Review Reference	Action	Target Date
<p>B/F from 2013/2014 Review</p> <p>LCCG</p> <p>Governance Principle 2.2-page 13</p>	<p>Scheme of Delegation. The County Council is required to:</p> <p>Determine a scheme of delegation and reserve powers within the Constitution / Partnership Arrangement including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.</p> <p>Action: A detailed scheme of delegation is currently being developed by the Commissioning Director: Adults and Public Health.</p>	<p>To be finalised during the first quarter of 2015/16.</p>
<p>2014/2015 Review</p> <p>LCCG</p> <p>Governance Principle - 1.1 page 7</p>	<p>Governance in working with others – Alternative Service Delivery Models. The County Council is required to:</p> <p>Ensure that Partnerships/Contracts are underpinned by a common vision of their work that is understood and agreed by all Partners.</p> <p>Action: Corporate Risk Management and Challenge Team to review the key partnership/contractual governance arrangements, working with the relevant managers and support services, to ensure they are operating effectively. This will include the common understanding between all partners/providers of the risks they face and how they will be managed, clearly defined roles and responsibilities and decision making processes.</p>	<p>31st March 2016</p>

Review Reference	Action	Target Date
<p>2014/2015 Review</p> <p>AGS</p> <p>Page 22</p> <p>Ref 6.7</p>	<p>Chief Internal Auditor's opinion on the ICT control environment</p> <p>The Chief Internal Auditor to work with the Council's ICT Service and ICT Auditors to ensure that all 2015/2016 audits included within the audit plan are undertaken and finalised by the 31st March 2016 to enable an audit opinion on the effectiveness of the ICT control environment to be provided.</p>	<p>31st March 2016</p>