

Report of the: Director of Policy and
Resources

Agenda Item

No: 7

Meeting: 24 September 2013

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2012/13

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Annual Governance Statement (AGS) 2012/13 was approved by the committee in June. However it was agreed that the Governance Statement would be updated following the audit of the council's accounts and resubmitted for consideration and approval in September.
- 1.2 The AGS is generally positive and shows that the council's governance arrangements continue to be generally good and meet best practice in most areas. Developments designed to address significant issues are identified in the AGS
- 1.3 The AGS has been updated but no further development issues were identified through the accounts audit process.

2. BACKGROUND INFORMATION

- 2.1 The Audit Committee approved the Annual Governance Statement (AGS) for 2012/13 in June 2013. Under the changes to the Accounts and Audit (England) Regulations 2011 the AGS must accompany the final accounts and be considered in its own right. This could take place in September however the committee has decided to consider the AGS in June as well as in September to allow early action to be taken on any issues identified by the AGS. The Statement has now been updated in 3 areas:
 - External audit's final accounts work.
 - The outcome of significant internal audit work which highlighted control issues in aspects of the CareFirst system, Partnership Governance Arrangements and Adults Service income procedures.
 - The council's approach to future spending reductions.

The updated AGS is presented again in appendix A for approval (changes are highlighted in red).

2.2 The Annual Governance Statement sets out the council's governance framework and the results of the annual review of the effectiveness of the council's arrangements. The AGS shows that the council has established governance arrangements that are monitored and reviewed on a regular basis. Changes and enhancements described in the AGS demonstrate the council's commitment to continual improvement. Five governance issues requiring further development were identified in the AGS which was approved in June. These are:

- Ensure continued appropriate level of focus in addressing External and Internal audit recommendations particularly in times of increased risk (including risk of fraud) associated with significant local and national change.
- Maintain strong budget and workforce monitoring and efficiency reporting procedures in achieving the delivery of budget targets and investment in the key aims identified in the 2013/17 financial plan.
- Ensure the implementation of service transformation plans to achieve budget reduction targets through restructuring; refining service delivery or increasing income through exploring commercial opportunities to provide services to other public sector bodies or third parties other organisations.
- Monitor the implementation of key changes in government policy and legislation such as the Welfare Reform agenda, NNDR changes, Social Care costs cap, pension changes and Whole-Place Community budgets.
- Strengthen the Consultation Strategy through standardisation of the council's approach to consultation to ensure consistency and that best practice is followed across the council.

No further governance issues have been added to the areas for development

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether or not the Annual Governance Statement provides sufficient assurance on the council's governance arrangements in 2012/13. If it concludes that it does provide sufficient assurance the Committee is invited to approve the updated AGS. The Committee may make amendments or seek clarification as necessary.

4. ANALYSIS OF OPTIONS

4.1 The Annual Governance Statement for 2012/13 is designed to deliver an overall opinion and provide this Committee with the assurance required on the adequacy of governance arrangements throughout the

council. Members should seek clarification on its contents as necessary to ensure the AGS provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Regular reviews of governance arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 The Annual Governance Statement draws on contributions from all Directors, External Audit and other inspection reports and therefore represents a corporate view.
- 7.2 There are no conflicts of interests to declare.

8. RECOMMENDATIONS

- 8.1 The Audit Committee is asked to consider whether the Annual Governance Statement for 2012/13 provides a sufficient level of assurance on the adequacy of governance arrangements throughout the council to allow the Committee to fulfil its role.
- 8.2 It is recommended that the Annual Governance Statement for 2012/13 is approved.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Carol Andrews

Date: 29 August 2013

Background Papers used in the preparation of this report: None
CIPFA- Delivering Good Governance in Local Government Framework
The Accounts and Audit Regulations (England) 2011

**NORTH LINCOLNSHIRE COUNCIL
ANNUAL GOVERNANCE STATEMENT
2012/13**

SCOPE OF RESPONSIBILITY

1. North Lincolnshire 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. North Lincolnshire Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, North Lincolnshire Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
3. North Lincolnshire 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.
4. A copy of the code is on our website at www.northlincs.gov.uk or can be obtained from the Civic Centre, Ashby Road, Scunthorpe. This statement explains how North Lincolnshire Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

5. 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 the communities. It enables the authority to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of services and value for money.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, priorities and aims 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 North Lincolnshire Council's policies, priorities and aims, to evaluate the likelihood of those risks being realised and the impact of those risks being realised, and to manage them efficiently, effectively and economically.

- The governance framework has been in place at North Lincolnshire Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The council's governance arrangements are supported by well-established systems and processes including:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- North Lincolnshire's priorities and financial strategy for 2012-16 was approved by Council on 21 February 2012. This set out the strategic direction for the council under an over-arching vision of 'Putting Our Customers First'. and four priorities, underpinned by aims and guiding principles as shown in the diagram below:



The Strategy was refreshed at Cabinet in June 2013. Whilst priorities remain unchanged some aims and actions were amended to respond to the changing environment and reflect new and emerging agendas.

Reviewing the authority's vision and its implications for the authority's governance arrangements

9. The council's activities and achievements, its financial position and performance are published each year in an annual report which is available on the council's website.

Translating the vision into objectives for the authority and its partnerships

10. Directorate plans explain what the directorates are responsible for and how it supports the council's strategic priorities. It ensures that directorate developments are in line with the strategic outcomes and aligns resources to them.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money

11. The Performance Management System (PMS) is used to measure performance against council priorities. Service performance is monitored via Directorate Performance Reports (DPRs) and a corporate report is produced three times a year. Performance data is summarised in the form of a scorecard and is published on the council's website. During 2012/13 Cabinet Team received monthly summaries on;
 - Key Performance Indicators
 - Activity Data (raw data)
 - Quality of Life Scorecard.
12. The Improvement & Value for Money Group (IVfM) was replaced by the Information Improvement and Value for Money Group (IIVfM) in February 2013. The purpose of the group is to lead the implementation of the council's performance management framework, ensuring that improvement action is taken where appropriate and to review and challenge the achievement of VFM for council services. A major task for the group is to improve the clarity of performance information and meet national Performance Transparency requirements.
13. The Statement of Intent: One-Council Commissioning was approved by cabinet in March 2012. Its purpose is to set out a commitment to developing an effective integrated commissioning capability to support our Council Strategy "One Council - Putting Our Customers First" and 2012/16 budget plan. The statement sets out the council's commitment to improving outcomes for local people through effective integrated commissioning. It recognises that commissioning can be used to

modernise and dynamically drive improvements in its services, recognising its strategic role in improving customer satisfaction and the value for money we provide to local people.

14. A key issue in 2012/13 has been continuing to manage the effects of the government's deficit reduction programme and the impact of recession on council income streams. The council has delivered the 2012/13 budget with service spending within budget, resulting in a modest under spend (1.5% or £1.8m) and demonstrating the continued effectiveness of budgetary control processes at a time of significant reductions in funding.

Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.

15. The council's Constitution sets out clearly the respective roles and responsibilities of members and officers. The structure of the Council's Constitution is reviewed on a regular basis and sets out the terms of reference of the Council, the Executive, Scrutiny and the Regulatory Committees together with a scheme of delegated powers to Cabinet members and officers. The Council's Constitution is regularly reviewed to ensure compliance with legislative change. The most recent amendments approved at the Annual General Meeting were to integrate the transfer of the Public Health functions to the Council. Prior to that amendments were made to reflect the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

16. The regime for dealing with complaints over the conduct of members was radically reformed under the Localism Act 2011 with much of the previous statutory regime being abolished including the mandatory Code of Conduct and the requirement to have independently chaired Standards Committees. Alongside this the requirement to declare and register statutorily defined 'Disclosable Pecuniary Interests' was introduced as well as the requirement to appoint an 'Independent Person' to comment on complaints.
17. As of 1 July 2012, the statutory transition date, the Council had in place a fully compliant revised regime including a locally developed Code of Conduct, a revised Standards Committee comprising independent non voting members as well as two Independent Persons to comment on complaints. Under the revised regime and in accordance with the Localism Act 2011, the Council retains responsibility for considering complaints against Town and Parish Council members. All of the 57 Town and Parish Councils in the area adopted the Council's revised Code of Conduct and register of interest requirements.

18. Training was provided to all members on the revised regime as well as to all the Town and Parish Clerks in the area and to Town and Parish members via the Town and Parish Council Liaison Committee. In addition training was provided to the East Riding and North and North East Lincolnshire Local Council's Association ('ERNLLCA').
19. Quarterly meetings take place with the Independent Person, a representative of ERNLLCA and the Monitoring Officer of North East Lincolnshire Council to discuss Code of Conduct related issues.
20. The Monitoring Officer's annual report is presented to the Standards Committee including an overall review of member complaints, including those relating to Town and Parish Council members. The annual report is subsequently reported to full Council. The first annual report of the revised regime was completed in July 2013. In addition, at each Standards Committee throughout the year a schedule detailing the progress of all complaints is provided to members.
21. The Officer Code of Practice for declarations of interest, gifts and hospitality has been reviewed to account for the provisions of the Bribery Act 2010 and to settle the Council's position on bequests/legacies being left by service users to officers. In addition the employee code of conduct which covers additional issues such as management & supervision, health & safety and personal conduct is binding as part of each employee's contractual terms. Compliance is managed through various policies contained within the council's Human Resources Manual.

Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality.

22. The council has a formal Constitution and Delegations to Officers. These set out how the council operates and how it makes decisions. These are reviewed on a regular basis and amended to reflect changes in regulations and working practices when necessary. Each year internal audit review the council's corporate governance arrangements against the principles and standards set out in the CIPFA/SOLACE framework – Delivering Good Governance in Local Government.
23. The Constitution also sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules and supplemented by the Finance and Procurement Manuals. The council's Chief Financial Officer set out the internal controls that must be complied with to ensure the proper administration of the council's financial affairs. Regular updates are made to reflect operational changes or new legislation as necessary.

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

24. Risk management arrangements have developed over a number of years and the Risk Management Group (RMG) has been instrumental in this process. The council has developed a comprehensive risk management strategy and policy, which has been adopted throughout the council. The strategy is reviewed annually and an action plan of work is developed each year. An important addition to the action plan is a rolling programme of service reviews to monitor progress on efficiency and budget reduction measures agreed as part of the 2012/16 financial plan. The risk management strategy sets out the council's approach to risk management and the framework in place to manage risks. This includes strategic and operational risk registers, which assess the likelihood and impact of risks, the mitigating controls in place and responsibilities for those controls. The Strategic Risk Register identifies corporate risks to the council. These are linked to the council's strategic objectives; the definition used was '*those risks which will significantly impair the achievement of the council's principal aims and objectives.*' Registers are reviewed regularly as part of the DPR process. Risk related training has been provided for both members and officers throughout the year.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

25. The Counter Fraud Strategy sets out the council's determination to deter, prevent and detect fraud and safeguard its assets. The Strategy is revised periodically to reflect changes in legislation and is assessed against recommended best practice guidance. This ensures that the council remains at the forefront of the prevention and detection of fraud and corruption. Each year a programme of proactive and reactive counter fraud internal audit work is completed to evaluate the risk of fraud and ensure appropriate arrangements are in place eliminate or reduce fraud.

Ensuring effective management of change and transformation

26. **The council has a good track record of robust financial planning to deliver high quality services whilst providing value for money for taxpayers' money. In 2012/13 it achieved spending reduction targets and delivered the 2012/13 budget with service spending within budget, resulting in a modest under spend of £1.8m. For 2013/14 and 2014/15 the financial plan including the transformation savings are in place to achieve budget targets. Future national spending plans will require additional significant savings in 2015/16 and beyond and work is already underway at this early stage to start to review the activities of the council and identify opportunities for further savings.**

27. Key change or transformation initiatives are managed through transformation boards to monitor progress and outcomes. In 2013/14 Transformation Boards were set up for four key transformation/budget

reduction initiatives; Adults, Leisure Public Health and Policy and Resources. Member led Transformation Boards will monitor delivery plan progress to achieve the council's strategy 2013/17 and specifically how services will change and evolve to meet the needs of the community and deliver better outcomes for local people within fiscal challenges facing local government.

28. The Local Taxation and Benefits shared service arrangement with North East Lincolnshire Council was implemented in July 2012. Combined savings of £1.3m are projected over a three year period; and first year savings exceed the plan target. At the same time the service has engaged with extensive welfare reform to a tight timetable, commencing from 1st April 2013, including changes to housing benefits, council tax benefit, and the transfer of responsibility to the council from DWP for crisis payments and community grants. The new arrangements have generated a substantial increase in workload since that date and an action plan is in place to restore operational performance to target levels.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact.

29. The Statement on the Role of the Chief Financial Officer (CFO) in Local Government supports CIPFA's work to strengthen governance and financial management across the public services. The Statement sets out the principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them. The principles state the CFO:

- Is a key member of the Leadership Team, helping to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- 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 overall financial strategy
- 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.
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Director of Policy and Resources is the CFO. North Lincolnshire's financial management arrangements have been reviewed and were evaluated to be compliant with these requirements.

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

30. The Statement sets out principles that define the core activities and behaviour that belong to the role of the Head of Internal Audit in public service organisations. CIPFA recommends that organisations should use the Statement as the framework to assess their existing arrangements. An assessment indicated a significant level of compliance.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service and Monitoring Officer functions

31. The Constitution sets out the functions of the Chief Executive as Head of Paid Service. Directors deputise in the absence of the Chief Executive.

32. The Monitoring Officer is a statutory appointment under the provisions of Section 5 of the Local Government and Housing Act 1989. The Constitution identifies the Assistant Director Legal and Democratic the council's Monitoring Officer.

The following officers have been appointed as deputies, as a contingency:

- Head of Democratic Services
- Head of Legal Services
- Head of Commercial Practice.

33. Job descriptions and person specifications detail responsibilities and conditions of employment and were reviewed following the council restructure of management during 2012.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for local Authorities

34. The council established an audit committee in May 2006 in line with best practice. The committee oversees the management of governance issues, internal controls, risk management and financial reporting. The terms of reference for the Committee are reviewed annually and revised to reflect professional bodies' expectations and best practice.

35. Reporting arrangements have been strengthened in a number of aspects:

- A forward plan of reports is prepared for the Audit Committee each year setting out sources of assurance the Committee will receive to fulfil its terms of reference.
- Recommendations provide more detail of the type and level of assurance members should seek to fulfil their role.

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

36. There are well-established arrangements in place to ensure compliance with the council's Constitution, relevant laws, regulations etc. and that expenditure is lawful. The lawfulness of the Council's decision-making process is bolstered by the protocol that is in place as regards reports presented to members requiring a decision to be made. The risk/option analysis is now embedded so as to ensure that the decision maker is presented with an analysis of the options together with a full range of implications. In addition the introduction of a scheme to ensure integrated impact assessments are completed as part of the decision making process has been introduced and is the subject of regular monitoring. Corporate training continues to be provided to staff who are involved in compiling reports.

The quality of advice is based upon:

- (i) Early involvement in the report writing process and the overall requirement that reports should, where appropriate, have legal input in their compilation. A section is included in reports indicating consultations that have taken place.
- (ii) Advice is offered from lawyers employed in a separate legal section under independent management.
- (iii) A robust review process.
- (iv) The use of external solicitors and counsel in appropriate cases either to expand upon advice already given or to offer advice where the existing knowledge base is thought to be insufficient or capacity does not allow. The former is commissioned via the Legal Services Framework an EU procured framework whereby approved panels of specialist firms have been appointed and can be drawn down for advice. The advice of Counsel is sought from specialist chambers.

37. The council's strong relationship with schools has been enhanced with further engagement concerning about services and support available to them and summarised in a booklet for easy reference. In addition specific support has been provided to those schools wishing to convert to academies.

38. The council's managerial framework is supported with policies and procedures in all key areas. Senior managers review controls in place to ensure objectives and obligations are met. Annual statements of assurance are prepared by each Director or relevant Assistant Director to confirm that the system of internal control within each service area is adequate and key supporting procedures are regularly monitored and reviewed. These are independently evaluated through the work of internal audit.

Whistle-blowing and receiving and investigating complaints from the public

39. The Whistle-blowing charter incorporates appropriate safeguards to protect whistleblowers and details of the Public Interest Disclosure Act 1998. The whistle blowing policy is advertised on the council's web site <http://www.northlincs.gov.uk/northlincs/councilanddemocracy/finances/fraud/fraudhotline.htm> and intranet. The whistle blower's hotline telephone details and email address are publicised throughout the council and via quarterly counter fraud newsletters.
40. A new comprehensive customer complaints policy and procedure provides a more simplified system of complaints handling and opportunity to learn from them. There are separate complaints processes for some specific service areas. These are:
- Adult Social Care & Children's Services
 - Schools
 - Council Tax & Housing / Council Tax Benefits
 - Data Protection, Freedom of Information & Environmental Information Regulations
 - Councillors.
41. The Standards Committee receives a report at each meeting on the progress of complaints/investigations under the Code of Conduct. The Standards Committee's annual report to Council also provides a copy of the Local Ombudsman's Annual Report for the year. Under the Standards regime the practice of preparing an annual report will be continue to promote good governance and transparency. The first report will be submitted to coincide with the first anniversary of the new arrangements (after 1st July 2013)

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

42. The council promotes member development and provides access to regular development opportunities. Councillors are helped in their role by a comprehensive induction process after election and ongoing training and development. The Member Development Steering Group drives forward continuous improvement in this area.
43. North Lincolnshire Council takes a strategic approach to addressing its current and future workforce issues. Its approaches to attracting, retaining, developing and motivating the workforce were recognised as being effective when we achieved the Investors in People standard in 2009. The Standard provides a framework for improving performance and developing people to meet business objectives. North Lincolnshire Council has once again achieved the Royal Society for the Prevention of Accidents (RoSPA) Gold Medal standard for occupational health and safety - for the thirteenth year in succession.

44. The council has also worked hard with North Lincolnshire residents, elected members and employees of the council, partners and other stakeholders in promoting equality, diversity and inclusion. This has been recognised by becoming the first council in the country to be awarded the Investors in Diversity Standard in September 2010 by the National Centre for Diversity. **The accreditation was valid for two years. Statutory requirements under the specific duties of the Equality Act 2010 continue to be met and Equality Objectives are monitored as a Key Performance Indicator by the Diversity Steering Group.**
45. The council's corporate workforce strategy sets out the council's strategic approach to recruitment, retention and development, its workforce objectives, challenges and plans of action. The generic competency and management and leadership frameworks inform the corporate training programme to ensure skills gaps can be addressed and a learning and development reviewing process (LADAR) is used to assess the impact and effectiveness of each training course. Employee appraisals and one to one meetings take place to continually assess training and development needs through a personal action plan.

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

46. The council's communication strategy supports and drives communications around the ambitions, focuses communications on critical areas and improves co-ordination across the council. A key element of the communication strategy is the council's magazine North Lincs News Direct, however new channels are being used such as web based and other social media opportunities.
47. The council has encouraged and maintained an effective relationship with local people and other stakeholders by:
- By issuing advance notice of key decisions.
 - Encouraging and supporting the public in a range of ways to present issues to the Full Council, Regulatory Committees, Scrutiny and Petition Panels.
48. Consultation takes place to inform policy, shape and improve services and help the council deliver against its priorities. The council consults in a variety of ways and uses a mixture of paper and on-line surveys. While many consultations have been effective, there is scope to standardise the council's approach to consultation to ensure consistency and that best practice is followed across the council.

Enhancing the accountability for service delivery and effectiveness of other public service providers

49. The formal transfer of responsibility for the local delivery of public health from the NHS to Local Authorities took place on 1 April 2013. The transfer helps provide the capacity to develop a local public health system in which public health is integrated across all council directorates and all partner organisations. The Director of Public Health (DPH) as a member of the council management team will help strengthen the role of Public Health going forward through opportunities for whole organisation engagement in improving the health and wellbeing of the local population together with a more direct relationship with local democracy. The Health & Wellbeing Board also has an important role on advising on and contributing to the development of Joint Strategic Needs Assessment and joint health and wellbeing strategies, reviewing commissioning strategies and receiving and reviewing Public Health England's programme for the area.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements.

50. Various types of partnerships have been defined to enable differing governance arrangements to be considered and developed where necessary. There is a strategic lead on partnerships and a governance framework has been developed that should be applied as a minimum to all relevant partnerships. The framework includes roles, responsibilities and accountabilities and financial and performance management arrangements.

REVIEW OF EFFECTIVENESS

51. North Lincolnshire 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.

External assessment

52. The Annual Governance report 2011/12 was presented to the Audit Committee in September 2012. The key findings of the report were:

- An unqualified opinion on the council's accounts
- A positive assessment that the council made proper arrangements for securing value for money resulting in an unqualified value for money conclusion

- Working papers in support of the accounts were generally good. However a number of classification amendments to the Property Plant and Equipment (PPE) note and accounting entries were made. As a result one recommendation was made 'the council needs to review the effectiveness of the Technology Forge accounting package in providing (PPE) accounting information for the ledger to ensure that the complex accounting transactions are processed correctly.' In response a review of the arrangements for the accounting for Property, Plant & Equipment (PPE) was agreed. This review would consider the timing of the process and a range of technical changes.
53. In their Interim Report in June 2013 External Audit confirmed that the recommendation raised in their Annual Governance Report had been addressed. One area for improvement was identified which will be implemented through the single sign-on solution being introduced for key financial systems.
54. The ISA 260 report 2012/13 was presented to the Audit Committee in September 2013. The key findings of the report were:
- An unqualified opinion on the council's accounts
 - A positive assessment that the council made proper arrangements for securing value for money resulting in an unqualified value for money conclusion
 - Working papers in support of the accounts were generally good. There were fewer minor errors although some presentational adjustments were agreed. There was a significant improvement compared to 2011/12 in the classification and accounting entries in respect of Property Plant and Equipment (PPE).
 - One recommendation was made to further improve accounting practices and working papers generally, which has been accepted.
55. External Audit's Certification of Claims and Returns Report summarised the council's arrangements for claiming grants in 2011/12, and the level of assurance it provides on the operation of the council's procedures. Overall there were no significant weaknesses in the council's arrangements to prepare grant claims reported and demonstrates that improvement in the administration of claims continues to be maintained. No recommendations are made for improvement.
56. The Audit Committee also receive regular reports on the implementation of all External Audit recommendations. This process confirms that action is in hand to implement all recommendations made.
57. The Standards Committee report for the period May 2011 to 30 June 2012 was reported to full Council at its meeting on 16 July 2013. It detailed that 13 new complaints had been received 6 of which related to Town and Parish members and 7 relating to Council members. One case was referred for investigation and was determined by a Determination Sub – Committee on 28 June 2012. Three complaints had been referred to the

Monitoring Officer for other action. By the end of the period covered by this report he had reported back to an Assessment Sub Committee on two of these following which the cases had been closed. Two matters were referred to Standards for England for investigation which had deemed that no investigation was necessary in either case and there were no matters the subject of proceedings before the First Tier Tribunal (Local Government Standards in England). The Standards Committee **received** its first Annual Report on the Council's revised Standards regime following the first anniversary of the implementation of such regime on **17 July 2013**. **It is intended that the 2012-2013 report will be received by Council at its next meeting in December. In September Standards Committee's Annual Reports for 2011-12 and 2012-2013 were also sent to all parish and town councils in the area.**

58. The following external inspections/ assessments provided strong sources of assurance on the adequacy of arrangements in this high risk areas of service delivery:

- In June 2012 Ofsted published the Safeguarding and Looked After Children Inspection report. All aspects of the inspection were evaluated as Grade 1 (outstanding – significantly exceeding minimum standards) or Grade 2 (good – exceeding minimum standards).
- The results of the Ofsted inspection of North Lincolnshire Council Fostering Team, published on 1 September 2012. The inspection was carried out under the Care Standards Act 2000 to assess the effectiveness of the service and to consider how well it complies with the relevant regulations and meets the national minimum standards. The service was judged across all criteria as outstanding (a service of exceptional quality that significantly exceeds minimum requirements).
- Adult Community Learning was subject to an Ofsted Inspection and received a rating of 'Good'.
- The regulated services within the Adult Services division inspected this year have all been judged by the Care Quality Commission as being compliant in all areas. In addition the Department of Health has undertaken the first assessment of Adult Social Services against the new Adult Services Outcome Framework. (ASCOF). The framework uses a variety of data sources to provide an overview of the performance being delivered locally. The framework is used nationally so comparisons can be made, and in future years the direction of travel can be tracked. The results show that North Lincolnshire has achieved a result in the top 5% of the country for 6 of the 18 indicators, and provides a basis from which to make improvement plans.
- Following a poor inspection of the Youth Offending Service published in January 2011, a comprehensive improvement plan was submitted to HMIP in February 2011. The improvement plan was supported and monitored via the Youth Offending Management Board and a re-

inspection took place in January 2012. Overall, the outcomes were that Youth Offending Services in North Lincolnshire has gone from being one of the poorest in the country to an excellent service amongst the top 5% in England and Wales. The Youth Offending Service and the Chair of the YOMB received a congratulatory message acknowledging the achievements regarding the outcome from the Chief Executive to the Youth Justice Board for England and Wales (YJB).

- Government Connect Code of Connection (CoCo) - IT Services have successfully continued to achieve compliance with all the necessary Government Connect controls. Achieving the GCSx Code of Connection (CoCo) enables the council to securely share data nationally with other compliant public sector organisations.
- A recent external inspection confirmed overall conformance with the environmental management standard ISO 14001:2004.

Internal assessment

59. Internal Audit provided an opinion to the Audit Committee in June 2013 on the adequacy of internal control across all the council's activities. Internal Audit's Annual Report for 2012/13 concludes that reasonable assurance could be given that the council's control environment was generally adequate. The opinion is derived from:

- The review of all fundamental financial systems show that all but one are assessed as having either significant or adequate assurance on controls in place. The Care First system was initially assessed as 'Partial' for the following reasons:
 - CareFirst is not compliant with the council's information security policy in respect of access and password controls.
 - The system upgrade was due to take place in the autumn. The main Care First package was upgraded but the finance module was delayed until June/July. **Progress was followed up in August. The upgrade has addressed most of these issues and password controls have been strengthened. Implementation dates for 2 agreed actions have been extended in order to secure a permanent solution.**

However audit testing showed financial information generated was accurate and feeder system controls operated correctly, resulting in no material impact on the council's Statement of Accounts.

- Reviews of other significant systems such as risk management, and corporate governance also provide adequate assurance on controls in place. Corporate governance arrangements were evaluated by internal audit against CIPFA/SOLACE best practice framework. The council's arrangements meet with best practice in most areas. Some minor recommendations for improvement were made.
- No significant council wide control issues were identified from school audits

- Counter fraud arrangements have been strengthened and meet with best practice guidance available. Investigations show no significant frauds were reported during the year.
- Partnership governance arrangements were evaluated as providing partial assurance. There is a partnership governance framework in place however the toolkit is not fully applied and there is a lack of understanding of requirements. Significant effort has been made to improve the level of compliance with governance arrangements and a follow up audit **has been completed** to re-evaluate the level of internal control. **The audit review did not demonstrate improvement in controls and the assurance level remains as partial. Further work to review all partnership risk management arrangements will be undertaken as part of the risk management 2013/14 action plan.**
- Financial assessments and income collection procedures for the Adult Social Care service were evaluated as providing partial assurance and highlighted control weaknesses in respect of financial assessment work, income recovery and reconciliation of income collected. Further audit work was completed and an Improvement Board chaired by the Director of People was established to ensure prompt implementation of the audit action plan. Updates have been reported to the Committee and significant progress has been made to implement audit recommendations. **Recent follow up work carried by internal audit has shown significant progress made and has resulted in a re-evaluation of controls from partial to adequate assurance. Policies and procedures have been reviewed and updated and the application of these arrangements will be tested later in the year.**

60. During 2011/12 information governance was recognised as a high risk area for councils. Audits also highlighted some improvements necessary to the council's arrangements, the importance of which was recognised as a governance development issue in the 2011/12 Annual Governance Statement. Information governance arrangements have been strengthened significantly through the following actions:

- Development and adoption of Information Governance and Security Policies
- Formation of Information Coordinators Group
- Data Protection and Freedom of Information Coordinators
- Training across the council.

Other work is currently in progress on retention of documents and classification of data. The council also successfully demonstrated compliance with NHS standards for the handling and securing data relating to Public Health services. Minor issues concerning internal unauthorised access to data have been dealt with and have not resulted in any further action from the Information Commissioners Office.

61. A report was also prepared for the Audit Committee in June 2013 on the effectiveness of Internal Audit during 2012/13 to fulfil the requirements of the Accounts and Audit (England) Regulations 2011. This showed internal audit provided an effective service based on:

- Compliance with CIPFA's Code of Practice for Internal Audit in the UK 2006 and Statement on the Role of the Head of Internal Audit
 - Good customer feedback
 - Achievement of most performance targets.
62. Compliance with CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in Local Government has been reviewed by Internal Audit. The review concluded that financial management arrangements comply with all principles set out in the Statement that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.
63. The review of the Strategic Risk Register was reported to the Audit Committee in January 2012. Lead responsibility for each risk has been designated to senior officers and an evaluation of controls was reported to the Audit Committee in September. The review showed that all strategic risks have been evaluated as having significant or adequate controls in place. Internal Audit's review of risk provided adequate assurance on management arrangements – the main areas for improvement being:
- Inconsistent standards of evidence of risk management consideration in some decision making reports
 - Operational risk registers need updating in some areas
 - Some managers have not completed their 'Managing finance, procurement, risk management and performance management' training.
64. Internal Audit's evaluation of counter fraud arrangements against CIPFA guidance indicated that the council's arrangements generally comply with best practice and its risk of fraud profile was low. Nevertheless counter fraud arrangements have been strengthened during the year in response to further professional guidance received from the National Fraud Authority (Fighting Fraud Locally report) and Audit Commission (Protecting the Public Purse report) and a potential increase in the risk of fraud caused by the recession and other economic factors. Regular newsletters to raise awareness on the risk of fraud are widely distributed throughout the council. The Counter Fraud Strategy has been reviewed and strengthened to demonstrate the council's zero tolerance stance on fraud; determination to apply appropriate sanctions; and recovery action. The Audit Committee receive regular reports on counter fraud work to gain assurance on the adequacy of arrangements in place and a specific counter fraud plan was introduced to provide the committee with assurance on Internal Audit work planned during 2012/13 aimed at preventing, detecting and deterring fraud.
65. 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 below.

Significant Governance Issues

1. Ensure continued appropriate level of focus in addressing External and Internal audit recommendations particularly in times of increased risk (including risk of fraud) associated with significant local and national change.
2. Maintain strong budget and workforce monitoring and efficiency reporting procedures in achieving the delivery of budget targets and investment in the key aims identified in the 2013/17 financial plan.
3. Ensure the implementation of service transformation plans to achieve budget reduction targets through restructuring; refining service delivery or increasing income through exploring commercial opportunities to provide services to other public sector bodies or third parties other organisations.
4. Monitor the implementation of key changes in government policy and legislation such as the Welfare Reform agenda, NNDR changes, Social Care costs cap, pension changes and Whole-Place Community budgets.
5. Strengthen the Consultation Strategy through standardisation of the council's approach to consultation to ensure consistency and that best practice is followed across the council.

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: 
Leader of North Lincolnshire Council

16 Sept 2013

Signed
Chief Executive



16 Sept 2013