

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**ANNUAL GOVERNANCE STATEMENT 2013/14**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To present the Annual Governance Statement (AGS) 2013/14 for Members' comment and approval.
- 1.2 The key points in this report are as follows:
- The AGS shows that the council's governance arrangements are generally good and meet good practice in most areas
  - Developments designed to address significant issues are identified in the AGS.

**2. BACKGROUND INFORMATION**

- 2.1 The Accounts and Audit (England) Regulations 2011 require the Authority to publish with its accounts an Annual Governance Statement. The Annual Governance Statement (AGS) must accompany the final accounts and be considered in its own right, as has been the case here. Under revised Regulations introduced last year this can take place in September. However the Committee 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 will be updated to reflect assurance provided through the outcome of external audit's final accounts work and presented again in September for approval.
- 2.2 CIPFA has also updated guidance to support councils to produce the AGS. The guidance provides an example of an AGS and sources of assurance and evidence to compile the Statement. This guidance has been referred to in completing the AGS
- 2.3 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. Sources of assurance to support the statement are gathered throughout the council in the form of annual assurance statements prepared by Directors. These statements provide an evaluation of the adequacy of internal control within their service area and are evidenced by sources of assurance and managerial processes. Independent reviews carried out by internal audit in key areas such as risk management, corporate governance and fundamental financial system work are important sources of assurance. External audit reviews and inspections contribute as sources of assurance.

- 2.4 In accordance with best practice a management team comprising the Director of Policy and Resources, Assistant Director Legal and Democratic, and Head of Audit, Risk and Insurance have reviewed the draft AGS.
- 2.5 The Annual Governance Statement 2013/14 is attached (appendix A) and shows that the council has well-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. Significant governance issues requiring further development are identified in the AGS. 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 2014/18 financial plan. In particular monitor the impact of the deliverability of funding assumptions made in the budget setting process.
  - Ensure the implementation of service transformation plans to achieve budget targets by restructuring; refining service delivery or increasing income through exploring commercial opportunities to provide services to other public sector bodies or third parties other organisations. In particular recognising the rise in risk appetite and need to re-prioritise resources to control areas of highest risk.
  - Prepare for and monitor the implementation of key changes in government policy and legislation such as the Better Care Fund (BCF), Children and Families Act 2014, the Care Act 2014 and Universal Credit.
- 2.6 The Annual Governance Statement for 2013/14 represents the culmination of internal and external assurance sources. Therefore the Statement will need to be updated to reflect the outcome of the final accounts audit process prior to resubmission to the Committee alongside the audited accounts.

### **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 2013/14. If it concludes that it does provide sufficient assurance the Committee is invited to approve the AGS. The Committee may make amendments or seek clarification as necessary.
- 3.2 The Committee may decide not to approve or to amend the AGS.

### **4. ANALYSIS OF OPTIONS**

- 4.1 The Annual Governance Statement for 2013/14 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.

- 4.2 The option set out in 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively.

**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 2013/14 provides 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 2013/14 is approved and a further update is submitted for the Committee to consider alongside the audited accounts in September.

DIRECTOR OF POLICY AND RESOURCES

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**Background Papers:**  
**CIPFA- Delivering Good Governance in Local Government Framework**  
**The Accounts and Audit Regulations (England) 2011**

**NORTH LINCOLNSHIRE COUNCIL  
ANNUAL GOVERNANCE STATEMENT  
2013/14**

**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 include 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](http://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.

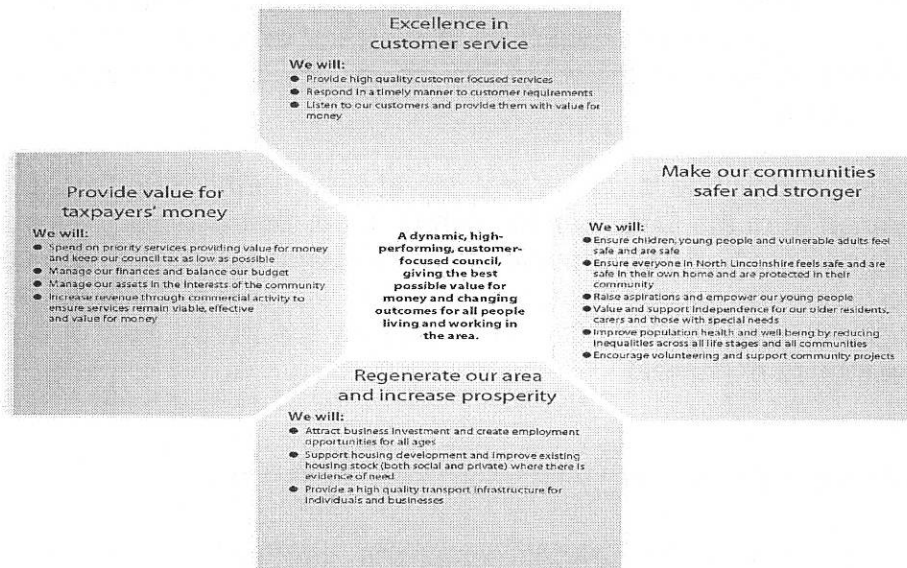
- The governance framework has been in place at North Lincolnshire Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

## 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 strategy for 2013-17 was approved by Cabinet on 25 June 2013. This sets 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:



#### Our council will:

- Make best use of our spending in a constructive manner, responding to our customers' priorities
- Function in a team environment and the senior management will be designed to provide high-quality, efficient and effective value-for-money services
- Work to improve the health and well-being of the residents of all of North Lincolnshire



The Strategy will be refreshed at Cabinet in June 2014.

## **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. The Code of Corporate Governance was also reviewed and updated in January 2014.

## **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) or equivalent format 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 2013/14 Cabinet Team and Council Management Team received summaries on;
  - Key Performance Indicators and exceptions
  - Financial monitoring
  - Workforce monitoring
  - Activity Data (raw data)
  - Quality of Life Scorecard.
12. The Information Improvement and Value for Money Group (IIVfM) lead on 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. Further enhancements have been made to performance reporting in support of the government's Open Data and Transparency agendas. The "North Lincolnshire performs" web-page has been further developed through linking the council's externally published performance information to the nationally recognised "LG Inform" website.
13. In 2012 Cabinet approved a 'Statement of Intent: One-Council Commissioning' outlining our 'commitment to developing a strategic and integrated commissioning capability which will transform outcomes for local people and communities.' In November 2013 Cabinet approved a delivery model designed to provide a joined-up programme based approach to commissioning in order to assist the council in responding to the following key issues:

- Public Health Outcomes
- Whole Council Transformation
- Outcomes from Transformation Boards e.g. Leisure
- Financial Plan
- Council Strategy 2013-17.

The statement recognises that commissioning can be used to modernise and dynamically drive improvements in services, together with its strategic role in improving customer satisfaction and the value for money we provide to local people.

14. In November 2012 Cabinet approved a commercial policy for the council that set out the framework and strategic direction for commercial and income generating activities. The Commercial Unit was formed to centrally coordinate and administer services to schools, business development and ensure compliance with the council's commercial policy. The team is instrumental in identifying and supporting all external business development work
  
15. A key issue in 2013/14 has been continuing to manage the effects of the government's deficit reduction programme along with significant changes such as the relocation of NNDR and the introduction of the Council Tax Reduction Scheme, both of which bring significant funding risks as the local economic and employment conditions fluctuate. The council has delivered the 2013/14 budget with service spending within budget, resulting in an under spend (0.4% or £486k) 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.**

16. 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. During 2013/14 changes were made to the Constitution in relation to Petitions; Terms of Reference of Scrutiny Panels; How the Council Operates (Appendix C); and Health Scrutiny. The most recent amendments approved at the Annual General Meeting of the 13 May 2014 were to include a section on disorderly conduct of members, changes to Contract Procedure Rules (CPRs) and make amendments to the delegations of officers to reflect changes to working practices for 2014/15. The Planning Committee also updated its Good Practice Guide for Members and Officers Dealing with Planning Applications to take account of legislative developments arising from the

Localism Act 2011. This Guide will be incorporated into the Council's Constitution.

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

17. 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.
18. 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.
19. 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').
20. 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.
21. 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 July 2013; a report will be presented annually thereafter. In addition, at each Standards Committee throughout the year a schedule detailing the progress of all complaints is provided to members. Training on the annual report and an update on Standards developments was provided by the Monitoring Officer to Town and Parish Clerks on 7 and 10 February 2014. Members of the Standards Committee also attended.
22. 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.**

23. 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.
24. 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**

25. 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 current risk issues via presentations service reviews to monitor progress on efficiency and budget reduction measures agreed as part of the 2014/18 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 throughout the year.

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

26. 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**

27. The council's financial management arrangements continue to be effective. Despite year on year funding reductions since 2010 the council continues to deliver balanced budgets and four year plans. It has done this while freezing the council tax for a fourth year, with a further freeze planned for 2015/16. Additional resources have been directed to priority services to fulfil a commitment to maintain and enhance front-line services to the public.
28. The effectiveness of budgetary control is also evident in moderate revenue underspends in each financial year, including 2013/14, combined with consistent or improving performance on the range of measures of council activity. Target savings are tracked through the year and almost all have been delivered in whole or in part. A large proportion of savings involve a reduction in staff numbers. This has been managed through normal turnover, voluntary redundancy or redeployment, with very limited call on the contingency provision for the cost of compulsory redundancies.
29. The scale of financial risk the council faces increased in 2013/14. The partial localisation of business rates exposes the council to variability in its local tax base; the transfer of responsibility for council tax support is also a volatile cost as the local economic and employment conditions fluctuate. The council is managing these risks through active policies to promote growth and employment in North Lincolnshire the success of which can be seen in reduced tolls on the Humber Bridge, support for Green industrial development, and ambitious plans for new housing growth over the medium term.
30. The financial plan including the transformation savings are in place to achieve budget reduction targets in 2014/15. Opportunities for further savings have been explored in light of the national spending plans which will impact on 2015/18.
31. Key change or transformation initiatives have been 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. From 2014/15 these were replaced by one council-wide Member led Transformation Board to monitor delivery plan progress to achieve the council's strategy 2014/18 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.

32. 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; first and second year savings exceed the plan target although this is in part due to time limited additional grant funding which has been under-utilised. At the same time the service has engaged with extensive welfare reform to a tight timetable, commencing from 1<sup>st</sup> 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.

**Ensuring the authority's financial management arrangements conform to 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.**

33. 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**

34. 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**

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

37. Job descriptions and person specifications detail responsibilities and conditions of employment 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**

38. 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.
39. 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**

40. 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.

41. The council's strong relationship with schools has been enhanced with further engagement concerning 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.

42. 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**

43. 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.
44. A 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.
45. 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 continue to promote good governance and transparency.

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

46. 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.
47. 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, this was extended to October 2013 and then renewed following a successful assessment. The Standard provides a framework for improving performance and developing people to meet business objectives. North Lincolnshire Council has achieved the Royal Society for the Prevention of Accidents (RoSPA) Gold Medal standard for occupational health and safety for thirteenth years in succession.
48. 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 not renewed however statutory requirements under the specific duties of the Equality Act 2010 are met by publishing equality information and council equality objectives. The council also took the decision to monitor the equality objectives as a Key Performance Indicator and progress on the action plan resulting from the objectives is monitored by the Diversity Steering Group.

49. 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**

50. 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.
51. 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.
  - Adopting a Community Engagement Plan to embed the Council's commitment to community engagement and to provide guidance to Services in ensuring good and consistent practice is applied when undertaking such exercises, including the use of on-line surveys.

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

- 52 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. The first year of these arrangements has resulted in the successful introduction of the integrated structure; new ways of promoting public health initiatives through council services and planned use of the Public Health Outcomes Fund.

**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.**

53. 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**

54. 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**

55. KPMG's Annual Audit Letter (October 2013) summarized the findings of the 2012/13 programme of external audit work. The key findings of the report were:

- An unqualified opinion on the council's accounts for a sixteenth consecutive year i.e. the accounts provide a true and fair view
- No significant adjustments recommended to the accounts
- The Annual Governance Statement is consistent with their view of council arrangements
- A positive VFM conclusion.



56. External Audit's Certification of Claims and Returns Report summarised the council's arrangements for claiming grants in 2013/14 and the level of assurance it provides on the operation of the council's procedures. The report's finding shows the council generally has good arrangements for preparing its grants and returns and produces high quality working papers in a timely manner. The report includes one recommendation to improve audit testing arrangements for Housing and Council Tax Benefits.
57. 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.
58. The following external inspections/ assessments provided strong sources of assurance on the adequacy of arrangements in this high risk areas of service delivery:
- The Business Support service has continued to achieve compliance with all the necessary Government Connect/PSN Code of Connection (CoCo) controls. Achieving the PSN Code of Connection enables the council to securely share data nationally with other compliant public sector organisations.
  - NHS IG Self Assessment - in order for Public Health functions to be undertaken by the council the NHS require an annual self-assessment of information governance processes. The council successfully achieved a satisfactory Level 2 accreditation in 2012/13 and this has been retained for 2014/15.
  - SOCITM – a positive outcome for IT services was noted in the 2013 council wide vfm profiling of services. In addition work undertaken to enhance the council's website resulted in national recognition and an improved star rating
  - DCLG highlighted as a national case study council preparedness for Community Right to Challenge
  - Electoral commission validation of election arrangements
  - The council received recognition in the National Centre for Public Scrutiny publication 'Spanning the system: broader horizons for council scrutiny' for work on health and wellbeing and clinical commissioning
  - The Office of Surveillance Commissioners carried out an inspection of the Council's RIPA compliance and concluded that "North Lincolnshire Council continues to take a highly responsible approach to its RIPA responsibilities"
  - Environmental Management Standard ISO 14001:2004 accreditation was validated during the year.
  - The regulated services for Children and Young People are inspected by Ofsted and inspections in year have all been positive including 3 judgements of "Outstanding" for Fostering, Cygnets and Kingfisher Lodge.
  - 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. This is the highest level of judgment that can be achieved. The Department of Health uses the Adult Services Outcome Framework. (ASCOF) to provide an overview of the performance being delivered locally for vulnerable adults and their carers. The framework uses a variety of data sources, and its national application allows comparisons to be made across all local authorities. The results show that North Lincolnshire has achieved above the national and comparator group averages in 17 of the 23 ASCOF indicators.

## Internal assessment

59. Internal Audit provided an opinion to the Audit Committee in June 2014 on the adequacy of internal control across all the council's activities. Internal Audit's Annual Report for 2013/14 concludes that reasonable assurance could be given that the council's control environment was generally adequate. The opinion is derived from:
- Reviews of all fundamental financial systems show that all are assessed as having either significant or adequate assurance on controls in place. The Care First system assessed as 'Partial', for a number of years as result of IT controls not complying with the Information Security policy was reviewed as adequate this year. Significant progress has been made on all outstanding actions that current technology permits.
  - 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 again in 2013/14 as providing partial assurance. There is a partnership governance framework in place however the toolkit is not fully applied. 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 is being undertaken to ensure improved levels of compliance with this process and the issue will be looked at again in the 2014/15 audit 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. Follow up work carried by internal audit in August 2013 showed significant progress but the actions were not complete as planned. An improvement plan was implemented of all outstanding actions along with revised implementation dates. After follow up work carried out in January the improvement plan was revisited and targets refreshed again, however our opinion is still partial assurance. Urgent action to remedy this situation will be taken.

60. During 2013/14 Information governance arrangements continue to be strengthened through the following actions:
- A review of the Information Governance Framework to ensure that council-wide information governance provisions remain fit for purpose. Changes were made in early 2014 to reflect new legislation and to address previously identified gaps.
  - Development of a new Data Quality Framework to strengthen the council's data quality provisions by including data held within all key systems.
  - A 3-year Information Governance and Security training and communication plan has been produced.
  - Progress has been made in strengthening the security of the council's corporate archives. There are three corporate records stores: Glanford House, Cottage Beck Road and Central Library. A user protocol is in place governing the use of these facilities
  - Progress has been evidenced through the attainment of an Adequate Assurance opinion from internal audit on corporate DPA/FOI process governance.
  - Key data sharing protocols were reviewed and updated including the Humber Information Sharing Charter.

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 be prepared for the Audit Committee in June 2014 on the effectiveness of Internal Audit during 2013/14 to fulfil the requirements of the Accounts and Audit (England) Regulations 2011. This showed internal audit provided an effective service based on:
- General compliance with Public Sector Internal Audit Standards (PSIAS) 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 2014. Lead responsibility for the eleven risks has been designated to senior officers and an evaluation of controls will be reported to the Audit Committee in September. The previous 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 – with some areas for improvement being identified.
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 has been refreshed and remains low. Best practice from parties such as the newly established National Fraud Investigation Bureau, the Audit Commission and CIPFA Better Governance Forum and on line alerts are continually sought and where applicable applied. Lessons learnt from publications such as the Protecting the Public Purse report are applied to the exposure profile used to drive our counter fraud plan. 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 2013/14 aimed at preventing, detecting and deterring fraud.
65. The Standards Committee report for the period July 2012 to 30 June 2013 was reported to Council on 10 December 2013. During the period 15 new complaints were received involving members. Eight complaints related to members of Town and Parish Councils and seven related to members of North Lincolnshire Council. All but two had passed through the Council's assessment process by the end of the period of this report. Three had been referred for investigation. Two had been referred for external assessment.
66. 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 2014/18 financial plan. In particular monitor the impact of the deliverability of funding assumptions made in the budget setting process.
3. Ensure the implementation of service transformation plans to achieve budget targets by restructuring; refining service delivery or increasing income through exploring commercial opportunities to provide services to other public sector bodies or third parties other organisations. In particular recognising the rise in risk appetite and need to re-prioritise resources to control areas of highest risk.
4. Prepare for and monitor the implementation of key changes in government policy and legislation such as the Better Care Fund (BCF), Children and Families Act 2014, the Care Act 2014 and Universal Credit.

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 June 2014

Signed  
Chief Executive



16 June 2014