

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANNUAL GOVERNANCE STATEMENT 2007/2008

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To present the draft Annual Governance Statement (AGS) 2007/2008 for members' comment and recommend approval by the Leader of the council and Head of Paid Service.
- 1.2 The key points in this report are as follows:
- This is the first AGS and subsumes the Statement on Internal Control
 - 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 On 17 January 2008 members were informed of the replacement of the Statement on Internal Control with the Annual Governance Statement. The Accounts and Audit Regulations came into force in 1 April 2003 and require the Authority to publish with its accounts a Statement on Internal Control. In 2006 the amended regulations also required that:
- a review of the system of internal control is considered by a committee or meeting of members as a whole
 - a review of the effectiveness of internal audit is considered by a committee or a meeting of members as a whole.
- In August 2006 the Department for Communities and Local Government circular 03/2006 assigned the introduction of an Annual Governance Statement (AGS) as 'proper practice' status and therefore have statutory backing. Such status was assigned to the AGS from 1st April 2007, i.e. 2007/08 reporting year. This subsumes the Statement on Internal control.
- 2.2 CIPFA has provided guidance to support councils to produce the AGS. The document provides examples of sources of assurance and evidence to compile the AGS.

- 2.3 The draft 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 Service 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. External audit reviews and inspections provide other important sources of assurance. Independent reviews carried out by internal audit in key areas such as risk management, corporate governance and fundamental financial system work are also key contributors.
- 2.4 In accordance with best practice a management team comprising Service Director Finance, Service Director Legal and Democratic Services, Head of Strategy Development and Audit and Risk Manager oversees the process. The objectives of the group are:
- Comply with external audit recommendation / CIPFA guidance
 - Determine the council's approach to preparing the AGS
 - Provide a corporate overview
 - Provide suitable challenge to the process
 - Ensure the independence of Internal Audit is maintained
 - Review and monitor changes to underlying processes and their impact on the AGS.
- 2.5 Last year's Statement on Internal Control incorporated an evaluation of the council's governance arrangements against best practice and highlighted that there were no significant issues that required action by the council.
- 2.6 A draft Annual Governance Statement 2007/2008 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:
- Address areas for development identified in the CPA Corporate Assessment
 - Address control issues highlighted in Internal Audit's Annual report
 - Implement corporate governance audit recommendations
 - Address the Auditors findings on Use of Resources and Annual Audit & Inspection report
 - Address areas for development in other review and inspection reports.
- 2.7 This report allows the council's Audit Committee to give full consideration to the AGS prior to its inclusion in the council's 2007/2008 accounts.

2.8 The Annual Governance Statement for 2007/2008 is currently in draft and may be subject to amendment as part of the accounts closure process.

2.9 External Audit will consider the AGS as part of the financial accounts audit.

3 OPTIONS FOR CONSIDERATION

3.1 Options are limited in this type of report. Audit Committee are invited to consider the Annual Governance Statement and seek clarification on its contents as necessary.

4 ANALYSIS OF OPTIONS

4.1 The Annual Governance Statement summarises the council's governance arrangements and complies with statutory requirements and professional guidance available.

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. There are no staffing, property or IT implications.

6 OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

6.1 The requirement for an Annual Governance Statement is set out in the Accounts and Audit Regulations 2003 and reporting requirements are set out in the Accounts and Audit (Amendment) (England) Regulations 2006. The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

6.2 Processes that underpin the Annual Governance Statement support excellent service delivery, enhance risk management arrangements and promote good corporate governance.

7 OUTCOMES OF CONSULTATION

7.1 The Annual Governance Statement draws on contributions from all Service Directors, External Audit and other inspection reports and therefore represents a corporate view.

7.2 The Governance and Use of Resources management group has also overseen this process.

8. RECOMMENDATIONS

- 8.1 Members are invited to comment on the draft Annual Governance Statement.
- 8.2 It is recommended that the Annual Governance Statement for 2007/2008 be adopted as part of the council's accounts.

SERVICE DIRECTOR FINANCE
LEGAL & DEMOCRATIC SERVICES
AND HEAD OF STRATEGY DEVELOPMENT

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Background Papers:

CIPFA- Delivering Good Governance in Local Government Framework
IPF CIPFA Finance Advisory Network – Meeting the requirements of the
Account and Audit Regulations 2003, Incorporating Accounts and Audit
(Amendment) (England) Regulations 2006 – A Rough Guide for Practitioners

NORTH LINCOLNSHIRE COUNCIL ANNUAL GOVERNANCE STATEMENT 2007-2008

Scope of responsibility

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.

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.

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.

A copy of the code is on our website at www.northlincs.gov.uk or can be obtained from Pittwood House, Ashby Road, Scunthorpe. This statement explains how North Lincolnshire Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at North Lincolnshire Council for the year ended 31 March 2008 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 purpose and vision and intended outcomes for citizens and service users

The council sets its vision and objectives after extensive consultation with all its stakeholders. The three-year Strategic Plan entitled 'Going Forward Together' explains the council's vision, priorities for improvement and outcomes to be achieved. The drivers behind the plan are the council ambitions – four of which are shared with the North Lincolnshire Strategic Partnership and four of which are internal council ambitions. The Strategic Plan is being reviewed to reflect the second generation Local Area Agreement.

Service plans integrate all key council planning processes and make explicit service delivery contribution to the council's ambitions. The planning process identifies the contribution services and individuals have to achieve the shared vision through the Community Strategy.

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

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

'Performing Together' is the council's performance management framework. This sets out the council's model for planning, achieving and reviewing performance. Performance targets are reviewed quarterly at a corporate level and by services to ensure key service delivery targets are monitored and appropriate action is taken where necessary. Quarterly Performance Reviews (QPR) are a key method for reviewing progress towards ambitions and priorities in the service plans and the council's strategic plan. An important link will be made between cost and performance to ensure value for money is considered and other critical issues such as risk management information. Action plans are required for all indicators showing performance below the national lower quartile, which are then subject to more regular performance monitoring process through Corporate QPRs and Performance Improvement Panels involving Members and Service Directors. There is also an annual performance review before senior management and councillors.

The Value for Money (VFM) Board has been instrumental in the development of the service planning and performance management arrangements to ensure VFM is properly considered through Quarterly Performance Reviews and Performance Improvement Panels where necessary. A closer alignment of VFM work with the council's financial planning arrangements has been made to help meet the challenge of budget and efficiency savings the council faces. The Strategic Procurement and

VFM Manager is the lead on this agenda to apply a service delivery and commissioning challenge to large-scale projects.

Improved budget monitoring procedures have operated throughout the year and have given robust indications of outturn. These enabled the council to deal effectively with potential areas of pressure during the revised estimates process (particularly costs arising from the June 2007 floods) so that problems did not carry through to year-end. Regular reporting of forecast outturn, explanations of variances and recovery plans for dealing with variances has continued for senior officers and members. All changes to service delivery must be financially assessed and included in reports to members for consideration.

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

The council's Constitution sets out clearly the respective roles and responsibilities of members and officers. A scheme of delegated and reserve powers is also set out in the approved Delegations to Officers and Appointment of Proper Officers schedule.

The Executive (which is made up of the Leader and Cabinet of councillors) make decisions in line with the council's overall policies and budget. Any decisions outside the budget or policy framework would be referred to the Council as a whole to decide. The Overview and Scrutiny committees support the work of the Executive and Council by reviewing and making recommendations on policy, budget and service delivery. They can also monitor and review decisions taken by the Executive prior to implementation. There are also committees that deal with regulatory functions such as Planning, Licensing and Appeals. In accordance with relevant legislation the council has a Standards Committee to deal with issues of members conduct.

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

The council established an audit committee in May 2007 in compliance with best practice. The committee oversees the management of governance issues, internal controls, risk management and financial reporting.

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

The council promptly adopted the new revised members code of conduct at its Annual Meeting in May 2007 to replace the previous code. The CPA corporate assessment found that the ethical framework is working effectively and the Leader, Chief Executive and monitoring officer show strong commitment to ensuring adherence to the framework

The council also has an employee code of conduct on gifts and hospitality and pecuniary interests, which is based on the Local Government Management Board Standards, together with a code, which covers additional issues such as management & supervision, health & safety and personal conduct. It is binding as part of each employee's contractual terms. Compliance with the employee code is managed through various policies contained within the council's Human Resources Manual.

Corporate governance arrangements ensure that the conduct of officers and members is of the highest standard in decision-making and application of policy and procedures in service delivery. The council's Local Code of Corporate Governance and key supporting procedures are monitored and regularly reviewed.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The council has a formal Constitution and Delegations to Officers. These set out how the council operates and how it makes decisions. These policies are reviewed and amended to reflect changes in regulations and working practices when necessary.

There is an established financial management framework in place that is set out in the council's Constitution through the Financial Regulations, Finance Manual, Contract Procedure Rules and Procurement Manual. The council's Chief Financial Officer sets out the internal controls that must be complied with to ensure the proper administration of the council's financial affairs.

Risk management arrangements have developed over a number of years and the Strategic Risk Management Group (SRMG) has been instrumental in this process. The council has developed a comprehensive risk management strategy, which has been adopted throughout the council. The strategy is reviewed annually and an action plan of work is developed each year. 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.*' The register identifies the likelihood and impact of controls and the lead responsibility for managing controls. The Strategic Risk register is reviewed and monitored regularly. Risk related training has been provided for both members and officers throughout the year.

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

There are well-established arrangements in place to ensure compliance with the council's Constitution, relevant laws, regulations etc. and that expenditure is lawful. Legal advice is available on request including specialisms such as employment, planning, education and child care law. There are controls in place to ensure that all reports to members have been formally considered for legal, financial, risk management and procedural issues etc. before presentation.

The council has a strong managerial framework that 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 Service 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 for receiving and investigating complaints from the public

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 are publicised throughout the council.

The council's procedures for dealing with complaints have been improved for 2008/09. Complaints will be recorded on the Performance Management System and reviewed through Quarterly Performance Reviews to provide better analysis of data and learning opportunities.

The annual report from the Ombudsman reported no cases of maladministration.

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

The council promotes development through the member development charter and access to regular development opportunities. Councillors are helped in their role by a comprehensive induction process after election and ongoing training and development. A member development group has been established to drive continuous development.

The council's commitment to learning and development is described in our Human Resources Strategy 'Valuing People'. The strategy demonstrates how the council will deliver one of its core values of 'We Value' in achieving its vision and ambitions.

The council takes a strategic approach to workforce planning and effectively supports staff to fulfil their role. There is a corporate training programme to ensure skills gaps can be addressed and a learning and development reviewing process (LADAR) to assess the impact and effectiveness of each training course. Employee development reviews 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

The council's communication strategy 'Communicating Together' 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 monthly magazine Direct, which is distributed to all households and provides a useful tool for surveying stakeholders' views.

The council has encouraged and maintained an effective relationships with local people and other stakeholders by:

- publishing a Forward Plan of Key Decisions;
- encouraging and supporting the public in a range of ways to present issues to the Full Council, Regulatory and Scrutiny Panels.

The council has a good engagement framework with several examples of good practice e.g. consultation and engagement toolkit (recognized by IDEA).

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.

During 2007/08 the council has also undertaken an audit of all the partnerships it is involved with and compiled a list of all its 'significant' partnerships.

A definition of the various types of partnerships has been established, this enabled the differing governance arrangements to be considered and developed where necessary. A strategic lead on partnerships has been assigned and a governance toolkit has been developed that should be applied as a minimum to all partnerships. The toolkit includes roles, responsibilities and accountabilities and financial and performance management arrangements. A staged approach is being adopted and the toolkit has been applied to the council's most significant partnerships first.

Review of effectiveness

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

The Comprehensive Performance Assessment (CPA) for 2007 carried out by the Audit Commission and reported in the Annual Audit and Inspection Letter issued in March 2008 showed the council is 'improving adequately and demonstrating a 4 star overall performance. This assessment also concluded that the council provided top performing benefits services, with all six service areas being assessed at 3 (out of 4) including Use of Resources. The corporate assessment published in February 2008 provided a rating of two (out of 4).

The Audit Commission's Direction of Travel report assessed the council as 'Improving Adequately'. The council's governance arrangements were assessed as strong and it was reported that: 'Its systems of internal control operate effectively and there is a clear commitment by councillors and officers to deliver improvements for the area'. Their summary, on the Audit Commission website, to support the direction of travel assessment shows good examples of service delivery and performance improvements together with areas for improvements as follows:

'North Lincolnshire Council is improving adequately. Its overall rate of improvement across national priorities is lower than that for other councils. The Council has improved some local priority areas such as regeneration and crime in the last year. Outcomes for children and young people are generally good and attainment by 11-16 year olds improved from a low base. But progress on other significant priorities like health inequalities and aspects of housing is mixed. The Council successfully managed the impact of the 2007 floods although its main office was badly affected. Its priorities are not understood consistently inside and outside of the Council. This undermines the robustness of plans, as does the lack of consistently clear targets

within them. Capacity for improvement is adequate whilst its approach to value for money is good. The Council's performance management approach links its various plans and strategies effectively. Partnership arrangements are not consistently effective and some roles and responsibilities are unclear. The Council has a sound financial basis on which to build and its governance arrangements are good'.

The council's external auditors carry out a programme of work each year to assess the adequacy of the control environment in place within the council. This is also reported in the Annual Audit and Inspection Letter. A key component of the CPA is the 'Use of Resources'. This includes an assessment being made on:

- Financial reporting
- Financial management
- Financial standing
- Internal control
- Value for Money

In all five of the themes that make up Use of Resources the council are assessed as 'consistently above minimum requirements - performing well' (level 3 scores). This represents improvement for the council as component scores within each theme were maintained or improved upon compared with the results for 2006 despite the introduction of more testing criteria.

In Grant Thornton's Use of Resources: 2006/07 updated scores report (December 2007) they concluded that the council has arrangements, which are consistently above the minimum requirements. The report also identified opportunities for the development of the council's arrangements, particularly in respect of the arrangements for managing value for money (including embedding recent improvements to the council's strategic approach to external funding); as this is the only component assessed at level 2.

External Audit's data quality review reported that the council was performing well (consistently above minimum requirements) for ensuring data quality. Overall the council's data quality performance in 2006/07 has shown significant improvement from 2005/06 and has implemented enhanced procedures in order to ensure that indicators are accurately stated.

External Audit's 2005/06 and 2006/07 grants reviews highlighted the arrangements in place to ensure the timely and accurate submission of grant claims was not operating effectively in all cases. Recommendations were made to improve the timeliness and accuracy of claims and these are being implemented. It should be noted however that none of these issues resulted in loss in grant funding for the council.

The council participates in the National Fraud Initiative (NFI). The Audit Commission has commended the council's work in this area. Also the small number of frauds identified from investigation of a large number of potential matches gives some confidence around the effectiveness of internal controls.

Also, the Audit Committee receives regular reports on the implementation of External Audit recommendations. This process confirms that action is in hand to implement all recommendations made

The Chief Executive reported to Cabinet in February 2008 on the outcome of a number of inspections and judgements on the performance of the council. The results of several of the inspections fed into the Comprehensive Performance Assessment. The report also highlighted the results of the Extended Youth Inspection and Youth Offending Team Inspection. Out of a range between zero and four the Extended Youth Inspection rating was two. The Youth Offending Team Inspection examined partnership activity in this area, not just council services. No overall grade for the service as given. Areas for development were identified in both inspection reports the results of which are fed into the council's refreshed strategic plan.

The Standards Board annual report for 2007/08 will be published shortly and no major issues are highlighted.

Internal assessment

Internal Audit provided an opinion to the Audit Committee in June 2008 on the adequacy of internal control across all the council's activities. Internal Audit's Annual Report for 2007/2008 concludes that reasonable assurance could be given that the council's control environment was generally adequate. The only exceptions were:

- Validations between payroll / professional personnel were delayed – a full reconciliation has been carried out and no significant discrepancies have been highlighted
- Authorised signatories – the process of updating authorised signatories was not completed during 2007/08 and is still ongoing. The council's strong emphasis on budgetary control procedures provides a mitigating control
- FMSiS – there has been a slow response from some secondary schools despite them achieving the standard.
- IT controls – there has been a slow response to audit recommendations – although issues are now being addressed by managers.

In view of the action put in place all issues highlighted are now in the process of being addressed.

A report was also be prepared for the Audit Committee in June on the effectiveness of Internal Audit during 2007/2008 to fulfil the requirements of the Accounts and Audit Regulations (amendment) 2006. This showed internal audit provided an effective service based on:

- External audit's endorsement of Internal Audit's work
- Compliance with professional (CIPFA) standards
- Good customer feedback
- Achievement of most performance targets.

The risk management strategy in place during 2007/2008 was agreed by SRMG and the Audit Committee and was reviewed for 2008/2009. This sets out and monitors the council's risk management arrangements and a programme of work for the year. SRMG identified the council's strategic risks and ensures key controls are reviewed regularly. Business Continuity Plans were tested under real emergency circumstances as a result of last summer's storm damage to Pittwood House. Despite major disruption to IT facilities overall key systems were recovered quickly and there was little affect on service delivery. The self-assessment on Use of Resources produced as part of the Comprehensive Performance Assessment included risk management arrangements. The evaluation carried out by Grant

Thornton concluded that the council continues to operate a sound system of internal control and has improved its arrangements with:

- development of the Audit Committee, which has been in place for a full year, and the Strategic Risk Management Group
- the updating of the Risk Management Strategy
- improvements to risk management through training of members and inclusion of an options section (to cover risks and opportunities) in all reports to members

The council maintained its level 3 assessment – ‘consistently above minimum requirements - performing well’

A review of effectiveness of the Audit Committee was completed in April 2008 using the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on audit committees and a self-assessment ‘toolkit’. The evaluation as indicated in the checklist shows the Audit Committee meets best practice in most aspects. Some opportunities for development were identified for the Committee to consider. The Audit Committee has also had the ability to raise queries with relevant officers on key issues e.g. performance. The council has a good track record of financial probity and sound governance. Nevertheless the Committee took decisive action on issues brought to their attention concerning non-compliance with FMSiS deadlines and commissioned additional work to evaluate the council’s business continuity response following the summer’s storm damage to Pittwood House.

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. The review incorporates assurances received from internal and external review bodies, the Chief Financial Officer and Monitoring Officer. The findings and actions for improvement were reported and approved by the Audit Committee in September 2007 and a further report will be prepared for the Audit Committee on conclusion of the current review.

An audit of the council’s approach to partnership working was carried out during 2007/08 and resulted in a number of positive changes to the governance arrangements for partnerships.

Significant governance issues

1. The areas for improvement identified in the corporate assessment will be addressed including:
 - Communicating its vision for the area in a more effective way
 - Adding capacity within the council to provide additional leadership and impetus to partnership working
 - Providing additional support to councilors in their community and strategic leadership roles
 - Enhancing the work of scrutiny.
2. Address internal control issues highlighted in Internal Audit’s Annual Report, namely:
 - Maintenance of up to date authorised signatory lists
 - Appropriate response to internal audit recommendations in respect of IT controls.

3. Implement corporate governance review recommendations
4. Address the Auditors findings on Use of Resources and Annual Audit & Inspection report by delivering improvements in
 - Producing an annual report in a variety of formats
 - Integrating financial and performance management arrangements more closely for partnerships
 - Improving the timeliness and accuracy of grant claims submitted for audit
5. Areas for development in other review and inspection reports will be addressed. The results of the Extended Youth Inspection and Youth Offending Team Inspection were fed into and will be monitored through the council's strategic plan.

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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

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.

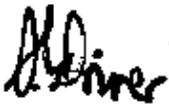
Signed:



Date 20th June 2008

Leader of North Lincolnshire Council

Signed



Date 20th June 2008

Chief Executive