

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**ANNUAL GOVERNANCE STATEMENT 2018/19**

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

1.1 To present the Annual Governance Statement (AGS) 2018/19 for members' consideration as to whether it can recommend to the Leader of the Council and Chief Executive that the Council adopts the Statement.

1.2 The key point of this report is that the AGS shows that the council has well-established governance arrangements and no significant governance issues have been identified.

**2. BACKGROUND INFORMATION**

2.1 The Accounts and Audit Regulations 2015 require the council to publish an Annual Governance statement (AGS) alongside the Annual Accounts.

2.2 The AGS sets out the council's governance arrangements in place and considers their effectiveness. The council's governance arrangements are set out in its Code of Governance which were first approved by the Audit Committee in September 2016 and updated in January 2019. The Code is based upon guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society for Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a framework" (April 2016).

2.3 The three lines of defence assurance model is central to the review of effectiveness of the council's governance arrangements as follows:

- First Line – (delivery/operational area)

Each Director undertakes an annual self-assessment as to how assurances are sought to confirm that the services and functions they are responsible for comply with each of the seven principles of the Code.

- Second Line - (oversight of management activity and separate from those responsible for delivery)

A range of reports are produced annually or throughout the year from those responsible for the oversight of management activity which provide assurance on the operation of elements of the governance framework (e.g. counter fraud, risk management, Chief Financial Officer, Monitoring Officer, Safeguarding, Information Governance, etc)

- Third line (independent oversight) - e.g Internal Audit/ External Audit/ External Regulatory Inspections and assessment.

2.4 The draft AGS 2018/19 is attached (appendix A) and shows that the council has well-established governance arrangements that are monitored and reviewed on a regular basis. As at 31 May 2019 no significant governance issues requiring reporting had been identified.

2.5 The AGS accompanies the accounts and is for the period up to the accounts are approved. The final published version therefore will be updated to take account of the completion of the audit of the statements of accounts 2018/19 and any additional sources of assurance completed up to that date.

2.6 The Audit Committee, as the body charged with governance, is responsible for advising on whether the council should adopt the AGS and for it to be signed by the Leader of the Council and the Chief Executive on the Council's behalf.

### **3 OPTIONS FOR CONSIDERATION**

3.1 The Committee is asked to:

- Consider whether the AGS provides sufficient assurance on the council's governance arrangements in 2018/19. The Committee may make amendments or seek clarification as necessary; and
- Recommend to the Leader of the Council and the Chief Executive to adopt and sign the AGS on the Council's behalf.

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

4.1 The AGS is designed to deliver an overall opinion upon the adequacy of governance arrangements throughout the council.

4.2 The AGS is designed to identify any significant governance issues that have arisen during the year, and therefore identify any actions that require to be undertaken in response. Based upon the defined criteria (section 4), no significant issues have occurred. However, a post balance sheet event has been reported in the Annual Accounts in respect of business rates and insolvency of a major ratepayer, which may affect the assumptions made in the collection fund 'provisions'. The Council is mindful of the potential implications which will be fully considered through financial planning processes. The Joint Motion of the Council recognised its commitment to facilitating a successful outcome.

4.3 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. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

5.1 Regular reviews of governance arrangements contributes to the arrangement that safeguard the council's assets and ensure that value for money is achieved in the use of resources.

**6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 None

**7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 An Integrated Impact Assessment is not required.

**8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 The AGS draws on contributions from all Directors, internal audit, external audit and other inspection reports and therefore represents a corporate view.

8.2 There are no conflicts of interests to declare

**9. RECOMMENDATIONS**

9.1 That the Audit Committee considers whether the AGS provides a sufficient level of assurance on the adequacy of the council's governance arrangements to allow the committee to fulfil its role.

9.2 That the Audit Committee recommends to the Leader of the Council and the Chief Executive to adopt and sign the AGS on the Council's behalf.

9.3 That the Audit Committee provides the Director of Governance and Partnerships with delegated responsibility to make any amendments to the AGS resulting from the outcome of the audit of the statements of accounts and any additional sources of assurance received up to the date of the approval of the accounts. This is on the proviso that any subsequent changes to section 4 of the AGS will require further approval by the Audit Committee.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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Date: 18 June 2016

**Background Papers:**  
**CIPFA- Delivering Good Governance in Local Government Framework**  
**The Accounts and Audit Regulations 2015**

**North Lincolnshire Council**  
**ANNUAL GOVERNANCE STATEMENT**

**2018-19**



## 1 Council responsibility for good governance

North Lincolnshire Council (the 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Accounts and Audit Regulations 2015 require the council to publish with its final accounts an Annual Governance statement (AGS). The AGS sets out the council's governance arrangements in place and considers their effectiveness.

## 2 Council's Governance Framework

The council's governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. Key elements of the council's framework are:

- The [Council Constitution](#) which sets out how the council operates and how it makes decisions. The Constitution says what the council must do to make decisions efficiently, transparently and accountably. The statutory Monitoring Officer undertakes a review of the Constitution annually to ensure the council's arrangements remain compliant with legislative requirement and is fit for purpose in supporting the council's strategic objectives.
- The **Council Plan**, which sets out North Lincolnshire Council's ambition to be best place and the best council it can be, and the outcomes it is committed to delivering for local residents, through whole council transformation.
- The **system of internal control**, which is based on an on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- The [Code of Corporate Governance](#), which sets out how the council's strategies, policies, plans, procedures, processes, structures, attitudes and behaviours are in place to deliver good governance to all, as well as summarising the processes in place to support the delivery of strategic outcomes.

The Council's Code of Governance is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a Framework" (2016). It is subject to annual review and the latest version was approved by the Audit Committee in January 2019. The key components are:

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

- The council promotes the values of equality of opportunity, excellence, integrity and self-responsibility in the workforce and in its dealings with the public. It has adopted a set of customer service standards which sets out how customers can expect to be treated and in return what it expects from them.
- It welcomes feedback from the public through an integrated complaints and comments process, responds to outcomes as appropriate, and reports the results to senior leadership quarterly. This includes the statutory complaints framework for Children and Adults Social Care and the findings are published on the council website.
- The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are set out in the Council's Constitution, schemes of delegation and financial regulations which are regularly reviewed and revised where appropriate.
- Codes of conduct are in place for elected members and officers to make sure that public business is conducted with fairness and integrity, and uphold the high ethical values and standards of behaviour expected.
- The Monitoring Officer is responsible for ensuring that the council operates within the law and that decisions are administered correctly. An annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.

**B. Ensuring openness and comprehensive stakeholder engagement**

- Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. Unless confidential, decisions made by Council, the Executive (Cabinet/Cabinet Members) or other Committees are documented in the public domain.
- The Council has systems in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements.
- A standard decision making report format is used to ensure that the decision maker is presented with all of the information necessary to inform the decision, including outcomes of consultation and issues emerging from the Integrated Impact Assessment. Conflicts of interest are also identified in the report.
- The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.
- The Council has completed a comprehensive review of the ways in which it engages with the public and stakeholders, and has developed a set of

principles and approaches which will help realise its ambition to put the customer at the centre of all the council does.

- The Council leads the North Lincolnshire Place Partnership, where Chief Officers of member public sector organisations and voluntary sector representative work collectively as 'Place Leaders' to provide systems leadership to improve outcomes within North Lincolnshire.

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

- The Council's vision, strategic objectives and priorities are underpinned by an integrated Strategic Assessment which actively shapes the Council Plan.
- The Integrated Impact Assessment ensures risks and impacts are considered in the decision-making process: the implications for individuals and communities; for the area; and any other relevant impacts including legal and governance matters; and to ensure fair access to services.
- A new council Performance Management Framework has been developed to provide a robust mechanism for measuring delivery of key outcomes to residents.

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

- Strategic planning and commissioning is undertaken using a plan, do, review, revise approach which is informed by the Strategic Assessment; outcomes for populations and place; legal and regulatory requirements; resource availability; council vision, priorities and policy frameworks; stakeholder feedback; quality frameworks and best practice.
- In determining how services and other courses of action should be planned and delivered the Council has well established engagement frameworks with internal and external stakeholders which is undertaken at a strategic, service and individual level. It is reshaping public and stakeholder engagement to ensure effective fit with its transformational objectives.
- The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local residents as set out in the Council Plan. It has also developed an innovative partnership with the local business community through the Place Marketing Board to promote the North Lincolnshire brand, with an economic strategy launched at the Houses of Parliament in November 2018.

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

- The designated role of Head of Paid Service is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.



- The Council has been working with an Organisational Development partner to facilitate developing cultures and behaviours and support transformation over a three year period.
- An employee performance management framework focusses on ensuring individuals are able to contribute to the council vision. It provides the opportunity for managers to consider wellbeing and capability with their teams on a regular basis.
- There is a member induction, training and development programme which includes specialist training such as safeguarding and for members with specific committee roles such as licensing and planning.

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

- The Council has a Risk Management and Opportunities Protocol (approved by Audit Committee) and approach including robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- The Chief Finance Officer (the Section 151 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.
- The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- A Medium Term Financial Strategy and Capital Strategy translates the council's high level strategy in the Council Plan into multi-year revenue and capital budgets. An innovative approach has been taken to shape financial planning around the Council's key priorities, requiring a collaborative cross-council approach led by the Senior Leadership Team, and presented for approval by Council in February/March each year.
- Revenue and Capital Budget Monitoring reporting arrangements ensure senior leadership are well-informed on financial performance through the year and identify any need for strategic intervention. Reports are presented to Cabinet on a regular basis.

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

- The Head of Audit & Assurance provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The Audit Committee is

integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

- The Council's Overview and Scrutiny arrangements are well established and provide challenge and review and promote service improvement.

### 3 Review of effectiveness of governance arrangements

The 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 relates to the governance framework which has been in place at North Lincolnshire Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts. Any issues identified as a significant governance issue are reported within the AGS, and the progress made by management in 2019/20 to address these issues will be reported regularly to the Audit Committee as the body charged with governance.

The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; by the Head of Audit and Assurance Annual Report; comments made by External Auditors and other review agencies and inspectorates. The Council Assurance Group is responsible for co-ordinating the review.

The three lines of defence assurance model is central to this review of effectiveness and is made up as follows.

First Line – (delivery/operational area)

Each Director undertakes an annual self-assessment as to how assurances are sought to confirm that the services and functions they are responsible for comply with each of the seven principles.

In addition the Council has a performance framework to help assess the effectiveness of its arrangements. Performance is monitored at different levels across the organisation and forms part of the Directors' assurance.

Second Line - (oversight of management activity and separate from those responsible for delivery)

A range of reports are produced annually or throughout the year from those responsible for the oversight of management activity which provide assurance on the operation of elements of the governance framework, including those listed below. Due to the timing of the AGS in 2018/19 to comply with the Accounts and Audit Regulations, not all 2018/19 annual reports were complete by July 2019.

- The latest published version of the constitution is June 2019, and on the council website
- Annual Report of the Standards Committee 2018/19, reported June 2019

- Fraud Annual Report - reported to the Audit Committee on 29 March 2019, to assist in discharging its responsibilities for monitoring the effectiveness of the Council's arrangements for managing the risk of fraud. No major frauds reported
- Annual Report of the Audit Committee 2018/19 – presented to the Audit Committee on 26 July 2019, based on a self-assessment workshop carried out on 29 March 2019 the Audit Committee complies with recommended practice provided by CIPFA
- Treasury Management and Investment Strategy Report - regular reports are reported to the Audit Committee throughout the year, with an Annual report presented on 26 July 2019
- Annual Information Governance and ICT Security Update - to be reported to the Audit Committee 26 July 2019
- Local Safeguarding Children's Board Annual Report - reported to Cabinet on 26 November 2018 – contains activity in relation to child safeguarding and outlines progress against LSCB priorities
- Local Safeguarding Adults Board Annual Report - and Cabinet 26 November 2018 - contains information in relation to adults safeguarding such as number of referrals and their outcome and progress against LSAB priorities
- Adult Social Care Annual Report - reported to Cabinet on 26 November - this provides detail of Adult Social Care activity North Lincolnshire
- SEND "All Our Children Annual Report"– reported to Children, Families and Learning Cabinet Member – provides evidence of how North Lincolnshire Council and its partners meet the ambitions identified in the SEND Inclusion Plan – approved by Cabinet Member 3 January 2019
- Annual Education Report for academic year 2017/18 – reported to Cabinet 30 January 2019 - reports on educational standards in North Lincolnshire
- Risk Management - the Audit Committee is provided with regular updates on the risk management process, whilst a report produced by a third party provider on behalf of the Head of Audit and Assurance provided "substantial assurance"
- Self-assessment against the "Role of Chief Financial Officer" – confirmed compliance in all material respects
- Quarterly Reports provided by the Occupational Health and Safety Manager to the Assurance Board – no material issues were identified
- Quarterly reporting by the Data Protection Officer to council's Assurance Board – have confirmed that risk and compliance status of Information Governance throughout the year is considered to be within normal business operating parameters
- Assurance provided by the Monitoring Officer in relation to legality issues – no material issues were identified
- Assurance provided by Head of Council Strategy, Information and Outcomes in relation to breaches of the Council Procedure Rules (CPRs) – no material breaches were identified
- Assurances provided by the Head of Organisational Development in relation to breaches of Human Resources processes - no material breaches were identified

- Attendance Management Annual Report – to be reported to Audit Committee reported to Audit Committee 26 July 2019 – provides details of staff absence levels
- Air Quality Status Report – reported to Safer, Greener and Cleaner Places Cabinet Member 3 October 2018 - provides an overview of air quality in North Lincolnshire and fulfils requirements as set out in the Environment Act 1995

Third line (independent oversight)

- **Ofsted:** As reported through the 2017/18 AGS in September 2017 OFSTED reported that services *for children in need of help and protection, children looked after and care leavers* was assessed as “outstanding” overall, including four specific areas being assessed as “outstanding” and the remaining one as “good”.  
In **March 2019** OFSTED carried out a “focused visit” looking at the arrangements for responding to contacts and referrals at the ‘front door’. This concluded that “the local authority has strengthened practice further at the front door”.
- **Care Quality Commission** The Council’s Adult Social Care Services is subject to periodic review by the Care Quality Commission. In 2018/19 “Home First-Community Support Team” was assessed as outstanding in providing a caring service, and good in all other areas.
- **External audit** - External Audit will provide an opinion on the Statement of Accounts and Value for Money Arrangements to the Audit Committee in July 2019. The outcome of the audit will be reported in the final version of the AGS.
- **Internal audit** - the 2018/19 Head of Audit Report and Opinion - provided “satisfactory” assurance in relation to the Council’s control environment and identified some areas for improvement
- Other external inspectorates – Excluding the Ofsted visit referred to above there were 27 external inspections or verifications of our services carried out in 2018/19. Our current inspection ratings and verifications are at a level that is at least good and of these 14 are rated at the highest level possible.
- **Ombudsman**  
<https://www.lgo.org.uk/Decisions/SearchResults?t=both&fd=2018-04-01&td=2019-05-29&dc=c%2Bnu%2Bu%2B&aname=north%20lincolnshire%20&sortOrder=descending&page=2>

In 2018/19 15 complaints were made to the Ombudsman - only three were upheld, but none represented a material systemic control failure.

***Based on this review the Council can confirm that it has effective governance arrangements in place, subject to any significant governance issues identified in the section below.***

## 4 Significant Governance Issues

A governance issue arises when something has gone or is going wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk. Determining the significance of a governance issue will always contain an element of judgement.

An issue is likely to be significant if one or more of the following criteria applies:

- It has seriously prejudiced or prevented achievement of a principal objective.
- It has resulted in the need to seek additional funding to allow it to be resolved.
- It has required a significant diversion of resources.
- It has had a material impact on the accounts.
- It has been identified by the Audit Committee as significant.
- It has resulted in significant public interest or has seriously damaged reputation.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

Based upon the assurance systems in place and the council's approach to continuous learning through external and internal review and the information considered in the draft AGS, ***the conclusion is that there are no significant governance issues that have arisen during the year and which require specific reporting.***

This is subject to review and sign off through normal governance arrangements. This conclusion is subject to no issues being identified up to and including the adoption of the audited accounts by 31 July 2019.

Notwithstanding inherent risks facing local government and strategic risks within the local operating environment which are identified and reviewed throughout the year, the Council's governance arrangements provide robust mechanisms to ensure 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.

## 5. Conclusion

The Council has in place strong governance arrangements which we are confident protect the interests of the council and provide necessary assurances to our residents and stakeholders.

The council has set out a clear ambition for North Lincolnshire in its Council Plan and will strive to seek continuous improvement. The council will continue to provide effective governance arrangements and will make further improvements in line with good practice and external recommendations accordingly.

Based upon the recommendation of Audit Committee, and on behalf of the Council, we adopt the Annual Governance Statement 2018/19.

**Signed:**

Leader of the Council

**Date:**

**Signed:**

Chief Executive

**Date:**

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