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Lincolnshire
COUNTY COUNCIL

Working for a better future

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County Offices
Newland
Lincoln
LN1 1YL

17 January 2014

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<u>**Audit Committee**</u>

A meeting of the Audit Committee will be held on **Monday, 27 January 2014 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

Tony McArdle
Chief Executive

<u>**Membership of the Audit Committee**</u> (7 Members of the Council + 1 Voting Added Member)

Councillors Mrs S Rawlins (Chairman), Mrs E J Sneath (Vice-Chairman), N I Jackson, C E D Mair, S M Tweedale, W S Webb and P Wood

<u>**Voting Added Member**</u>

Mr P D Finch

AUDIT COMMITTEE AGENDA
MONDAY, 27 JANUARY 2014

Democratic Services Officer Contact Details	
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Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

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Lincolnshire
COUNTY COUNCIL

Working for a better future

AUDIT COMMITTEE
11 NOVEMBER 2013

PRESENT: COUNCILLOR MRS SUSAN RAWLINS (CHAIRMAN)

Councillors Mrs E J Sneath (Vice-Chairman), N I Jackson, S M Tweedale, W S Webb and P Wood

Also in attendance – Mr P D Finch (Independent Added Person)

Officers in attendance:-

Tony Crawley (KPMG), Debbie Bowring (Principal Risk and Assurance Officer), David O'Connor (Executive Director Performance and Governance), Claire Pemberton (Assistant Head of Finance), Lucy Pledge (Head of Audit and Risk Management), Nick Rouse (Investment Manager), John Sketchley (Audit Manager), Tony Warnock (Head of Finance - Children's and Specialist Services) and Mike Wood (KPMG)

29   APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor C E D Mair

30   DECLARATIONS OF COUNCILLORS INTERESTS

There were no declarations of interest at this point in the meeting.

31   MINUTES OF THE MEETING HELD ON 23 SEPTEMBER 2013

RESOLVED

That the minutes of the Audit Committee held on 23 September 2013 be signed by the Chairman as a correct record.

32   ICT AUDITS UPDATE

Consideration was given to a report which provided an update to the position reported at the Audit Committee meeting on 23 September 2013. It was also reported that Lincolnshire County Council had been issued with a deadline of November 19, 2013 to achieve its Public Service Network Code of Connection (PSN CoCo) compliance.

The Executive Director Performance and Governance provided the Committee with an outline of each audit and the progress which had been made. Members were

provided with the opportunity to ask questions in relation to the information contained within the report and some of the points raised included the following:

IT Service Management Audit
- Some of the difficulties which had been experienced in previous years with people accessing the system from home during bad weather had been resolved. There were now more staff with Citrix access and Outlook Web Access as well;
- PSN would be very important to the authority in the future when there was more joint working, such as with health colleagues;
- All staff had now been migrated to Windows 7;

SAP Security and Licence Audit
- An issue had been discovered on SAP with some users having an inappropriate security access. This had now been corrected with all staff now on the correct security level;
- There was a direct relationship between schools and Mouchel in relation to SAP. It was also noted that officers were seeking to protect this service so it was available to schools who did not want to become academies;
- Access to this system was limited;
- Many academies were operating their own financial software, but those schools that were using SAP, Mouchel would continue to offer that service;
- It was thought that the plan to move away from using SAP was good news, and it was hoped that the new system would be much easier to deal with;
- It was noted that change was now managed better, and a year would be allowed to transition from SAP to the Agresso system;

Software Licence Management
- All recommendations from this audit had been completed;
- The new case management system should deliver savings of £750,000;
- SAP licences were regularly refreshed to ensure that only the users who needed them had them. If SAP had not been accessed within a certain amount of time, that user would be taken off the system;
- Some contractors needed access to specific information;
- It was very important for agility that users were able to access these systems when required;

IT Asset Management
- All actions had been completed;

Electronic Data Management
- Officers would follow on the first key issue identified in the audit;

Mobile Computing and Remote Access
- This audit had resulted in substantial assurance being given;

Disaster Recovery
- The £5m which had been put aside to build a second data centre would not be utilised, and instead would be used to fund the transition to ERP;
- There were a set of risks which would need to be managed in the coming year;
- It had been confirmed that back-ups were being correctly monitored by Mouchel;
- There had been multiple single points of failure within the data centre;

- The authority was now in a better position in terms of disaster recovery than it was a few years ago;
- There were different retention schedules for different types of data, but data usually needed for 6 years, there was some data, such as information relating to social care cases;
- There was an off-site storage facility for paper files;

PSN CoCo Compliance

- The PSN would be a vehicle for sharing information with partners such as health;
- DBS (Disclosure and Barring Service) checks were carried out for any staff and councillors who had contact with children or vulnerable adults;
- A new system would be put in place to enable staff and members to use their own equipment to connect to the Council's network;
- There would be a more integrated solution as when logging in to a computer a user would be able to have access to all systems,
- The PSN should transition across when a new contractor was appointed;

The Committee was informed that whilst the authority was not where in wanted to be in terms of ICT, but it was a lot closer to it and was a much better position than a few years previously.

It was noted that the Chairman would be kept up to date on these issues.

RESOLVED

That the progress being made to address the issues highlighted in the audits described in the reports be noted.

33   RISK MANAGEMENT PROGRESS REPORT TO 31 OCTOBER 2013

Consideration was given to a report which assisted the Committee in fulfilling its role to ensure that the Council had effective risk management arrangements in place, by providing an update on how well the council's biggest risks were being managed as well as reporting on the progress made in assisting the Council to adapt and change the way it 'thinks' about risk.

It was reported that this was the Committee's half-yearly update report on risk management. The Committee was advised that there had only been one movement in terms of risk score, in relation to Risk 5 – Adult Care not able to live within budget. Also there was a change in direction of travel for Risk 9 – Maintenance of effective governance arrangements. The direction of travel had reduced to 'declining' due to potential governance issues arising from a new Council. It was noted that the evolving political dynamics and the current inexperience and understanding of many members was demanding more input, support and guidance from the Management Board to minimise the impact on the Council's existing governance arrangements.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the point raised during discussion included the following:

- There were many councillors who were new to being a councillor;
- Senior officers were spending a lot more time dealing with member issues than previously;
- If councillors were dissatisfied with the amount of time it took staff to respond to their queries there was an escalation process with the executive directors. Members reported that there had been instances of waiting 2-3 weeks for a response;

(At this point in the meeting Mr P D Finch wished that it be noted that he declared an interest as a Non-Executive Director of Lincolnshire Partnership NHS Foundation Trust)

- In relation to Risk 14, it was noted that Tony Hill, Executive Director Public Health, was the Chair of the Programme Board, and integration work was proceeding. The first stage review of contracts had taken place and decisions had been made regarding which to proceed with and those which would not be renewed;
- It was suggested that a schedule be included in the work plan for senior officers to report to the Audit Committee on the strategic risks in their directorates, and what strategic risks they identified for the coming years;
- Governance was something that most were not aware of unless there was a problem;
- The Executive Director Performance and Governance would be keeping a watching brief on the direction of travel of the risk for maintenance of effective governance;
- The key thing was in how the organisation dealt with situations when things went wrong;
- There was a clear quality assurance regime for the provision of adult care services, and a peer review of this service had also been carried out. The Committee was advised that a formal response on this could be obtained from the Executive Director Adult Care. It was noted that the Adult Care budget had on-going pressures, and it would always be an issue that the council would have to manage. It was important that the risk was actively managed;

RESOLVED

That the current status of the strategic risks facing the Council be   noted.

34   CORPORATE AUDIT PROGRESS REPORT TO 30 SEPTEMBER 2013

The Committee received a report which provided an update on progress made against the Audit Plan 2013/14. It was reported that approximately a third of the Plan was now completed, which was expected for this time of the year. There were 19

audits underway, and of these 8 were close to completion and the final reports were being agreed with the relevant managers. It was noted that the work plan had been adjusted due to resourcing constraints which had been experienced during this year.

Members of the Committee were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- Concerns were raised regarding the reduction in audit days for some of the audits, particularly for Public Health. Members were advised that a combined status report on the assurance arrangements in Public Health would be presented at the March 2014 meeting of the Committee;
- It was felt that using the combined assurance model would enable the Head of Internal Audit and Risk Management to give a Head of Audit opinion;
- Engagement from public health colleagues in relation to audit work was much improved;
- It was suggested that the Executive Director for Public Health could be invited to attend a meeting of the Committee;
- The Mouchel Pensions Administration team had been assessed as 'Limited Assurance', however, there had since been significant improvements in terms of performance, and the Pensions Committee received regular reports;
- It was acknowledged that there was a potential risk with the transfer of the contract for the Pensions service;

RESOLVED

That the outcomes of Corporate Audit Work be noted.

35   ANALYSIS OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AT 30 SEPTEMBER 2013

The Committee received a report which provided an analysis of the high priority audit recommendations outstanding at 30 September 2013, and suggested how they should be managed.

It was reported that there were only 3 outstanding high priority recommendations at this time, which was considered a good situation. Of these, two would be followed up for the next meeting, and in relation to the third, a response had now been received and the action had been completed.

In relation to the recommendation for the Councillor Big Society Fund, of the 10 grants awarded which were randomly checked, no feedback has since been received to suggest there were any issues with them.

RESOLVED

That the content of the report be noted and the suggested actions be agreed.

36   REVIEW OF AUDIT & INSPECTION FINANCIAL PROCEDURE &
        INTERNAL AUDIT CHARTER

Consideration was given to a report which presented the Committee with the revised policy documents for Financial Procedure 7 – Audit and Inspection and the Internal Audit Charter which took into account the recently published UK Public Sector Internal Audit Standards and the change in the External Audit Regime.

It was reported that Financial Procedure 7 – Audit and Inspection formed part of the Financial Regulations and procedures in the Constitution of the Council. It aimed to inform officers and members of the mandatory requirements and provide guidance on good practice in the roles of internal and external audit and other inspection regimes.

In relation to the Internal Audit Service and Context section of the Internal Audit Charter, it was noted that an extra paragraph would be added in which set out the extent of the External Audit Work which was carried out by the Authority.

Members commented that they had found the report very straightforward to understand which was important as it ensured that the processes could be understood by members of the public, and made the audit process more transparent.

RESOLVED

1. That the revised Audit & Inspection Financial Procedure 7 be approved; and
2. That the draft Internal Audit Charter be noted, prior to wider consultation and approval by the Corporate Management Team.

37   ANNUAL EXTERNAL AUDIT LETTER 2012/13

Consideration was given to a report which presented the opinion of the Council's External Auditor following the 2012/13 external audit of Lincolnshire County Council and the Pension Fund.

It was reported that the Council's External Auditor had issued an unqualified opinion on Lincolnshire County Council's financial statements and on the Pension Fund annual report on 27 September 2013.

The Committee was advised that the Annual Audit Letter would be circulated to all members and added to the Council's website.

RESOLVED

        That the contents of the report be noted.

38   WORK PLAN

Consideration was given to a report which provided the Committee with information on progress on agreed actions and its work plan up to July 2014.

It was suggested that a half-day workshop session be arranged for February 2014 to enable the Committee to undertake a self-assessment on the effectiveness of the Audit Committee.

RESOLVED

1. That the progress of agreed actions be noted;
2. That the work plan be noted;
3. That a self-assessment on the effectiveness of the Audit Committee be undertaken in February 2014.

The meeting closed at 12.25 pm

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Lincolnshire
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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources & Community Safety	

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Corporate Audit Progress Report to 31st December 2013**

Summary:

This report provides an update on progress made against the Audit Plan 2013/14.

Recommendation(s):

That the Committee notes the outcomes of Corporate Audit work and identifies any actions it requires.

Background

This report provides an update on the progress made against the Audit Plan 2013/14. Details can be found in Appendix A, including:

- Key messages on Internal Audit work completed or in progress
- Other significant pieces of work undertaken
- Summaries of audits with Substantial or Full assurance
- Detail of progress made against the audit plan

Conclusion

We have made reasonable progress with the plan given the resourcing issues experienced over the year – there is a significant amount of work currently underway and we can provide assurances that all remaining audits are scheduled in for the remainder of the year. We have engaged temporary audit resources to help us achieve this.

The Committee made a specific point about the reduction in coverage within Public Health – we have, so far, completed audit testing on their contract management activities, worked with the directorate to compile their assurance map and have carried out workshops to identify and assess their key risks and risk appetite. A due diligence audit is scheduled for February 2014 which will cover the key financial areas.

The update of the Annual Governance Statement also provides information on the strategic risk relating to the Public Health transition – this is considered in another paper and aims to provide assurances around how well the transition has been managed.

A further progress report is scheduled for March 2014.

The Committee should note the outcomes of the audit work undertaken and identify any action required.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Corporate Audit Progress Report
Appendix B	CIPFA Audit Committee Update No.12 (please note: this appendix is only available electronically at www.lincolnshire.gov.uk/committee records)

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.

Internal Audit Progress Report

Date: January 2014

Contents

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Introduction

1. The purpose of this report is to:

   - Advise of progress being made with the Audit Plan 2013/14
   - Provide details of the audit work during the period
   - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. We have made reasonable progress against the internal audit plan, despite experiencing some staffing issues, and have so far completed 56% of the planned work for the year. Remaining audits are scheduled in for the rest of the year and we have engaged temporary audit resources to help complete this work.

3. We have completed 5 County Council audits since our last progress report, 2 of which have resulted in limited assurance and one system which has received a split assurance (Mouchel / Council Directorates). A further 27 County Council audits are in progress, 9 of which are at draft report stage. Other significant work in this period includes:

   - MIMS – Insurance Management System
   - Academy Audits
   - Lincolnshire Police
   - Lincolnshire Police and Crime Panel – Task Group
   - Review of Coroners

4. Changes to the plan were agreed at the November 2013 Committee due to long term sickness and vacancies. Since that date a long serving member of staff has sadly passed away – this vacancy will be carried forward into 2014/15. We have recruited a new Principal Auditor to the team who joined us at the beginning of this month – this auditor will be taking the lead on Adults and Public Health.

5. It was decided to undertake more testing in completing the 2012/13 audit of Adult Services Case Management, Referrals and Contact Management, this too has impacted on the completion of the plan. There has been a delay in issuing this report due to other priorities – consequently we are in the process of revisiting some of the audit findings.

6. The Audit Committee raised a query on the level of audit work being undertaken in Public Health – as a consequence we have increased the package of due diligence work and we will now be covering the following areas:

   - Payroll – staff that transferred are set up correctly and on the correct terms and conditions
   - Awareness of LCC processes – procurement, ordering, invoice processing
   - Budget holder awareness of responsibilities, processes etc

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- Testing of orders and payments, procurement card and income
- Budget monitoring

Also, as part of our Council wide audit on contract management, we have recently completed the fieldwork on a sample of Public Health contracts – the results of this work will be reported to the next Committee.

7. Strategic Risk staff have been working with Public Health, through a series of workshops, to:

- raise awareness of the Council's approach to managing risk
- explain the tools available to support them
- help identify their key directorate risks
- understand their risk appetite

Two workshops have been held with Public Health DMT and their wider management team, with a further three sessions aimed at operational managers. The response has been extremely positive and the directorate are currently in the process of developing and populating their top risks.

Internal Audit work completed from 1 November 2013 to 31 December 2013

8. The following audit work has been completed and a final report issued:

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
	▪ Property Rationalisation Plan ▪ Supported Childcare ▪ Income (Central Process – Mouchel)	▪ Trading Standards ▪ Customer Service Centre ▪ Income (directorate compliance)	

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

9. We are reporting 3 limited assurance audits in this quarter.

10. Progress with the implementation of agreed management action on recommendations for audits resulting in 'No' or 'Limited' assurance is followed up and reported in Appendix 2.

11. In the audits given Full and Substantial Assurance, we confirmed that the Council has sound processes in place:

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Property Rationalisation Programme

The service has achieved the programme objective of saving over a £1 million from property revenue budgets before the April 2014 deadline. The team's focus on delivering the savings target has resulted in some processes and procedures still being developed including guidance to staff on procedures, budget monitoring systems and communications. We noted that the property rationalisation programme should apply to all Council properties not just centrally managed ones. There is an opportunity to develop the scope of the programme and realise greater savings across the county and the Corporate Property Service should raise the possibility of increasing the scope of the programme with the Property Programme Board.

Supported Childcare

We found that referrals for supported childcare placements are processed effectively and placements are set up in line with LCC procedures. Points of good practice identified during the review included:

- ✓ Entitlement of the child/family to other early years funding streams is adequately investigated
- ✓ Funding requests are documented on standard referral forms and these are authorised by appropriate officers
- ✓ The majority of providers used are rated good or outstanding by Ofsted and the appropriateness of all providers is monitored by the birth to five service
- ✓ Extensions of funding for placements have been authorised appropriately
- ✓ Detailed guidance and procedure notes have been provided to staff within the relevant teams.

The key area where processes could be strengthened is in relation to evaluation of outcomes. Through day to day work, various levels of staff gain their own assurances that outcomes for the child/family are being improved but there is little documented evidence of this. All staff interviewed during the audit agreed that this was an area for improvement. Until a mechanism is put in place to centrally monitor progress made, management cannot be fully assured that the funding is improving outcomes for families with young children.

Income – Full Assurance (centrally controlled areas only)

We found the centrally controlled income processes managed by Mouchel to be working well. There was a strong knowledge and awareness of Financial Procedures, key risks and controls, together with an effective and proactive approach to income collection and problem solving. The system for receipting, banking and processing refunds was robust and income reported accurately within the financial statements.

Income areas operated by the Council's Business Support Service and Schools are covered at appendix 2 of this report – limited assurance.

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Audits in Progress

12. The following audits are currently in progress:

   Fieldwork in progress:
   - Public Health Assurance Map
   - Update of Children's Services, Communities, Resources and Performance & Governance Assurance Maps
   - Adult Services Case Management ICT System – On-going
   - Adult Services Proactive Support – On-going
   - Children's Services - Access Databases
   - Child Poverty Strategy
   - Brokerage
   - Adults Services Organisational Learning
   - Adult Services Performance management
   - Reablement service
   - Police Notification of Domestic Violence
   - Families working together project
   - Flood management
   - Civil parking enforcement
   - Procurement – category management
   - Quarter 2 key control testing
   - People Management
   - Procurement Card

   Fieldwork complete, draft report being produced:
   - Castle Revealed Project
   - Adult Services Customer Finance Team/Direct Payments
   - Expenses and member allowances
   - Contract management – Adults
   - Contract management – Public Health
   - Establishment audit – Eventus Business Centre
   - Establishment audit – Horncastle Business Centre
   - Establishment audit – Boston Registration Office
   - Establishment audit – The Beacon Children's Centre

   Final Report being concluded:

   Indicative Assurance – Limited
   - ICT Disaster Recovery
   - Adult Services Case Management, Referrals and Contact Management

   Indicative Assurance – split (substantial / limited)

   - Performance and Programmes (split assurance - substantial / limited)
   - Creditors (split assurance – substantial re. Mouchel/limited re. directorates)
   - Debtors (split assurance – substantive re. Mouchel/limited re. directorates)

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Other Significant Work

13. Other work undertaken during the period includes:

MIMS – Insurance

We have commenced an audit of the MIMS Insurance Management System.

Academy Audits

We have signed up 8 Academies to take our audit services and have undertaken 18 audit visits to date during 2013/14, with each Academy receiving 3 or 4 visits per year. We have found that we have had to give additional support and guidance to many of the Academies we have visited as they have taken on financial responsibilities that previously they did not have. We have also signed off the annual pension returns of a number of academies.

Lincolnshire Police

We completed a discrete piece of work for the Force which provided the requisite assurances and assisted them to improve policy and procedure. The audit was well received and all recommendations agreed.

Lincoln Police and Crime Panel – Task Group

Over the last quarter we have concluded our work supporting the Task Group's scrutiny of the Police & Crime Commissioner's decision to suspend Lincolnshire's Chief Constable. Our work involved analysis and cataloguing of evidence, assistance with interview planning, provision of advice and editing of the scrutiny report.

Our work was well received by the Task Group which helped them achieve their terms of reference and complete a thorough and robust scrutiny review.

Review of Coroners

On the request of management we are carrying out a review of Coroner income and expenditure. The Council is responsible for the re-imbursement of coroner expenditure linked to the investigation of deaths in their jurisdiction. Since June 2012 work has been underway to standardise the approach and processes across Lincolnshire following the amalgamation coroner jurisdictions – four areas to two (Central and South). Management recognise that further work is required to improve the arrangements, achieve a transparent and auditable system which complies both with legislation and the Council accounting requirements. The outcomes of this review will further support the standardisation of processes.

Emerging Audit Areas:

- CfBT Contract (Children's)
- New Financial System (Agresso)

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Performance Information

14. Our current performance against targets is shown below:

Performance Indicator	Target	Actual 31/12/13
Percentage of plan completed	100%	56%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100% or escalated	Annual Report
Timescales	Draft report issued within 10 working days of completing audit.	67%
	Final report issued within 5 working days of closure meeting / receipt of management responses.	100%
	Period taken to complete audit – by exception	
Client Feedback on Audit (average)	Good to excellent	Good to excellent

* Draft reports on 2 audits issued outside the 10 working days due to:

- investigative commitments / Christmas leave
- size of audit / complexity of report / Christmas leave

Other Matters of Interest

CIPFA Better Governance Forum - Audit Committee Update Issue 12

The CIPFA Better Governance Forum has recently published issue 12 of its Audit Committee Updates and a copy is attached at Appendix B. This issue focuses on reviewing internal audit quality noting that the audit committee needs to be satisfied that appropriate arrangements are in place. It also outlines the new guidance from CIPFA's publication *Audit Committees, Practical Guidance for Local Authorities and Police* (see below) and includes a round-up of legislation, reports and developments that may be of interest to audit committee members.

Audit Commission – Tough Times 2013 (November 2013)

The Audit Commission issued its third and final report examining the scale and impact of funding reduction from Central Government 'Tough Times 2013'.   The aim

of the report is to provide central government, councils, their appointed auditors and other interested stakeholders with an independent and authoritative analysis of:

- changes in central government funding to councils; and
- changes in councils' actual and planned spending on services.

The report also presents the finding of our 2013 survey of councils' appointed auditors concerning:

- how councils' have coped with their recent financial challenges; and
- councils' prospects for financial resilience.

Key Conclusions of the report:

- In the face of financial challenges from 2010/11 to 2013/14, almost all councils have demonstrated a high degree of financial resilience. Auditors report that nine out of ten councils delivered their budgets in 2011/12 and 2012/13 without experiencing significant financial difficulties. Seven out of ten councils delivered their budgets in those years without needing to take unplanned actions. The prospects for delivering the budget in 2013/14 also appear good for about nine out of ten councils.

- The research also shows that funding reductions have not fallen equally. A small minority of councils have found it harder to cope than others, with one in ten experiencing significant difficulties in delivering the budgets they set in 2011/12 and 2012/13 and three in ten needing to take unplanned actions in those years to balance the books. One fifth of councils overall and a quarter of metropolitan and unitary authorities exhibited financial stress in both 2011/12 and 2013/13. Auditors have concerns about the ability of one in ten councils to deliver their budget in 2013/14. A few of these have been a source of concern to auditors in successive years.

- In our report on councils' financial resilience in 2011 we noted that councils were 'at the start of a different and uncertain period for their finances'. Our analysis this year shows councils' funding from government reduced by 19.6% in real terms from 2010/11 to 2013/14 and council tax fell by 1.7%. Central funding to councils will reduce further in 2014/15 and 2015/16 as part of the government's ongoing strategy to reduce the UK's budget deficit. Policies that aim to reduce or freeze council tax will continue in these years. There is uncertainty for councils about funding from government beyond that, and about the income they can expect from retained business rates in the future as the UK economy recovers from a period of low growth.

- With uncertainty about the future funding available to deliver services, councils cannot be sure what savings they will need to make. Auditors report that at least one in ten councils do not yet have plans for how they will address the expected gap between funding and spending in coming years. It is understandable, therefore, that auditors are less confident about the medium-term financial prospects of one third of councils.
- The research shows councils have already adopted a wide range of strategies in response to financial challenges, although the long-term effect of these on councils' financial resilience or their ability to meet the needs of local

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communities is unknown. Councils, nevertheless, have valuable learning to share about how to secure the maximum benefit from their savings initiatives to date.

▪ For about one in five councils, the available options to reduce spending in the future are becoming more limited. One in twenty auditors told us that councils are finding savings harder to identify, and harder to deliver with fewer resources. Where conventional strategies can no longer be relied on to deliver the savings needed, councils will need to innovate to develop new approaches to public service delivery that rely less on finding from government.

▪ Councils' must adapt in order to continue to provide services that meet their statutory obligations and the needs of their local communities - with reduced levels of income. There will be ongoing risks for councils as they do so. As the Audit Commission is expected to close in March 2015, it will be for the government and others to find alternative ways to draw on the insights that auditors can provide about the financial resilience of England's councils and to remain vigilant for signs of financial stress.

Possible consideration for the Governance & Audit Committee:
▪ Assurance over value for money – both the arrangements for securing value for money and the progress in achieving value for money
▪ Obtain insight from Management & External Auditors over the effectiveness of Councils' medium term financial strategy and it's scrutiny.

Link: www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf

Audit Committees - Practical Guide for Local Authorities and Police - 2013 Edition (CIPFA)

CIPFA has issued updated guidance on the function and operation of audit committees in local authorities and police bodies. It represents CIPFA's view of best practice and includes the following areas:

Position statement on Audit Committees – emphasising the importance of the Audit Committee as a key component of governance

▪ Whilst recognising no single model of audit committee is prescribed gives suggested core functions – including :
  o Effectiveness, understanding and realism of assurance statements - including the Annual Governance Statement
  o Oversee the Internal Audit Function performance and effectiveness
  o Consider the effectiveness of the Council's risk management arrangements and control environment. Review the risk profile of the Council and assurances that action being taken on risk-related issues. – including partnerships with other organisations.
  o Monitoring the effectiveness of value for money and counter fraud arrangements

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- o Consider reports and recommendations of external audit and inspection agencies and their implications for governance, risk or control.
  - o Support effective relationships between internal and external audit, inspection agencies – encouraging the active promotion of the value of the audit process.
  - o Review the financial statements, external auditors opinion and reports to members – monitoring management response to any issues rasied by external audit

- Suggested terms of reference for audit committees

- Information on possible wider functions of an Audit Committee ie
  - o Considering governance, risk or control matters at the request of other Committees or Statutory officers
  - o Working with local standard committees to support ethical values and reviewing the arrangements in place to achieve those values
  - o Reviewing and monitoring treasury management arrangements
  - o Providing oversight of other public reports, such as the annual report

- Independence and Accountability

- Membership and Effectiveness

- Self-assessments / appendices covering:
  - o Audit Committee members – knowledge and skills framework
    - Core areas of knowledge
    - Specialist knowledge that adds value to the Audit Committee
    - Core skills
- Self-assessment of good practice
- Evaluating the effectiveness of the Audit Committee

Possible consideration for the Governance & Audit Committee:
- Review existing arrangements in light of the best practice guidance – identifying any changes it may wish to make
- Review terms of reference of the Committee
- Review the effectiveness of the Committee

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Appendix 1 - Assurance Definitions[1]

Full Assurance	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. As a guide there are a few low risk / priority actions arising from the review.
Substantial Assurance	Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low. As a guide there are low to medium risk / priority actions arising from the review.
Limited Assurance	Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high. As a guide there are medium and a few high risk / priority actions arising from the review. Our work did not identify system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
No Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. Our work identified system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of medium and high risks / priority actions arising from the review.

[1] The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

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Appendix 2 – Audits where assurance is assessed as 'No' or 'Limited'

Trading Standards – Limited Assurance

Introduction and Scope

Lincolnshire County Council Trading Standards key objectives are to:

- Ensure a safe, healthy and sustainable food chain for the benefit of consumers and the rural economy.
- Protect the supply chain against animal diseases.
- Support economic growth especially in small businesses, by tackling rogue traders, supporting businesses to comply with the law and protecting consumers from scams.

In recent years the service has faced significant budget cuts which have required a radical rethink of the way it operates and delivers services. As part of the review we examined the arrangements that have been put in place in response to cuts to the service budget.

We conducted out testing to provide assurance on the following areas:

- Adoption of new methods of working appropriate to the reduced budget.
- Development of strategic priorities for Trading Standards activity.
- Measurement of outcomes.
- Compliance with legal obligations.

Executive Summary

Assurance Opinion – Limited Assurance

Our review found that the service has made substantial progress in responding to challenging financial constraints although some areas remain as "limited" assurance.

Our key findings are;

- New methods of working appropriate to the reduced budget have been adopted, although these are taking time to become fully effective primarily due to the lack of reliable intelligence and the time required to multi-skill staff.
- Strategic priorities have been developed for Trading Standards activity but these have been based on limited and incomplete information so require further development work in the future.
- Strategic outcomes are not measured.

The service complies with legal obligations.

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Officers acknowledge that there are still improvements to be made and demonstrated good awareness of the issues that they face, and understanding of the steps that need to be taken to further develop what has already been put in place.

Direction of Travel	⬆ Improving
	The service has responded well to significant budget cuts' although arrangements put in place will take time to be fully effective.
	Officers understand the steps that need to be taken and are taking action to further develop what has already been put in place.

Officers are aware that there are some issues that need to be urgently addressed, and in most instances are taking ongoing action to resolve these issues;

- No strategic document has been produced for 2013/14 as the service has more work to do in addressing 2012/13 strategic priorities and is waiting for a regional and national picture to emerge.

- The service is experiencing difficulties in implementing necessary changes. Information contained within the Flare and Memex databases is incomplete reducing its intelligence value and the service currently does not have the capacity to undertake detailed analysis of data in the service's possession.

- The correct balance between proactive and reactive work is taking longer than anticipated to achieve.

- The service has not developed performance measures to monitor outcomes of strategic objectives and priorities. The service does produce some monthly performance information but the content relates primarily to outputs and not outcomes.

- Due to a combination of lack of resources and revised ways of working it is known that there are some national frameworks where the service is not fully compliant e.g. the Animal Health and Welfare Framework. In the case of frameworks however, no legal obligations are imposed.

Our work identified areas of good practice

- ✓ It has been recognised that the service must move away from its previous operating model and target the highest priority areas -identified through intelligence and risk assessment. Activity is driven by this assessment. This methodology accords with best practice set out by the Trading Standards Institute.

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- ✓ The Trading Standards Service has undertaken a strategic assessment of the service and has identified the highest priority areas on which resources will be concentrated. This assessment was published in April 2012 and sets out the priorities for the 2012/13.

- ✓ The service has undertaken some benchmarking in terms of comparative cost. It has also self-assessed the service against best practice set out in the Trading Standards Institute document "The ten pillars of an effective trading standards service"

- ✓ Officers are conscious of where the service presently is, where it needs to be in the future, and are taking steps to develop processes to improve the service.

At our closure meeting with Sara Barry – Head of service – Trading Standards, we agreed the actions to address the findings and recommendations.

Management Actions	No	All to be completed by:
High Priority	3	November 2013
Medium Priority	1	October 2013

Customer Service Centre – Limited Assurance

Introduction and Scope

The Customer Service Centre (CSC) provides a contact centre for customers requiring a variety of services provided by Lincolnshire County Council to its residents, businesses and visitors.

The CSC was restructured in January 2012 as part of work force change. The savings to be delivered were £485k (15%) of budget. The savings were achieved through various changes, but the most significant was restructure which reduced staff levels by 18%. This has put pressures on the team in terms of meeting performance indicators and prompted the service to consider efficient ways of working.

The indicative audit scope was to provide assurance on achievement of current key performance indicators (KPI's), but we quickly identified that Management felt current measures do not provide a balanced assessment of performance and quality. As such the KPIs were in the early stages of redevelopment.

Our audit focused on providing independent assurance that the arrangements for responding to customer queries, delivering advice and information on council services and forwarding service requests are effective and that the quality and performance can be measured. We considered:

- Management and staff arrangements
- Service planning

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- Monitoring and quality assurance mechanisms
- Staffing and resource planning
- ICT systems

Executive Summary

Assurance Opinion - Limited

Management have a vision to transform the Customer Service Centre into a customer driven contact centre that delivers strong first contact resolution and offers the customer a choice of access points. Our work identified that good foundations are being laid to enable this including refreshing KPI's to assess quality as well as quantity. We found that the mechanisms for measuring quality need to be enhanced to enable this as:

- The call recording and monitoring functions in the Avaya system are not being utilised as widely as they could be, due to set up or payment card industry compliance issues
- The team does not have a consistent and service wide method of regularly collecting customer feedback
- Use of multiple ICT systems and issues with interfacing between these mean that there is duplication of data entry and loss of efficiency.

Direction of Travel ⬆ Improving

The Management team are proactively looking to the future in terms of developing the CSC to ensure it is effective, efficient and fit for purpose. The three year service plan in development outlines a change programme that includes specific targets and options and is backed by an action plan of how management intend to get there. This contains new KPIs which incorporate quality as well as performance.

We are pleased to report that staff involvement and input has been a key part of these developments. Overall this gives us confidence that as plans progress we will be able to provide assurance over quality and performance achievement and monitoring.

Our discussions identified that current KPI's set in early 2012 are not being consistently achieved as call volumes often exceed the number of operators available. The Head of Customer Service has recognised that existing KPI's mostly focus on answer and call times and lack measures relating to resolution and customer satisfaction. KPI's have been developed to include quality of service as well as performance and agreed by Scrutiny Committee. The management changes

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and development of service plans and KPI's have caused some confusion over individual and team reporting requirements. Clarification on reporting requirements should be included in the implementation of new KPI's.

To monitor performance against the proposed KPI's the service need to be able to measure the quality of contacts and how well customer expectations are met. We considered the mechanisms currently used to assess this. We found that the Avaya telephone system and software is capable of recording calls and that in some areas the team leaders are using this to carry out quality checks on all members of the team. Call recording is not set up for many of the teams which limit the team leaders to real time monitoring only. There is also an issue with recording causing non-compliance with the 'payment card industry data security standards' which needs to be addressed. Call recording of both incoming and outgoing calls should be utilised as widely as possible.

The CSC does not have any consistent and team wide processes for regularly gathering customer feedback. This is important for measuring quality and satisfaction. We suggested options to use an Interactive Voice Response -based automated post-call feedback survey system are explored and discussion with the Management team confirmed that they were already considered this and are instigating implementation. We also recommend use of the existing 'touchstone' methodology to gather feedback on customer satisfaction with the CSC.

Through mapping the processes used by the various teams we met with we identified that many different IT applications and processes are in place. Integration between systems is very limited and this can lead to duplication and inefficiencies including increased wrap time. The council needs to review the IT systems in use in the CSC to ensure they are efficient and fit for purpose.

All findings and agreed actions are detailed in the attached action plan.

The Council is currently in phase two of competitive dialogue with the two preferred bidders for the support services contract. Our work confirmed that the CSC is in scope to potentially be included in this contract, but a decision on this will not be made until March 2014. This has the potential to effect decision making in relation to ICT support systems and moving the service forward.

Our audit also identified areas which assured us that management are committed to developing the service going forward, including:

- An established management structure supporting the teams in the CSC
- Effective and inclusive communication channels at all levels
- Support from Executive Director and Assistant Director
- Further development of multiskilling to enhance flexibility and efficiency
- Reintroduction of staff training and development plans
- Development of a new service plan that identifies how the CSC plans to move forward and deliver a 'right place, right time, right information, right for me' level of service irrespective of channel
- Development of customer and quality focused KPI's to support the new plan

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Management Response

We are content that the audit report accurately reflects the current position in the Customer Service Centre. The audit findings have been identified by our management team and plans are in place to action these going forward. We agree with all audit recommendations and these are linked into our service transformation plan.

Management Actions	No	All to be completed by:
High Priority	Two	31st January 2014
Medium Priority	Four	31st December 2013

Income – Business Support and Schools

Since our last review in 2010 the Business Support delivery arrangements have changed. Consequently, the income system has become increasingly fragmented, with users across the Council now processing income. The wide variety of payment methods, together with the systems operated by schools have resulted in a reduction in the central control over the system (previously overseen by Mouchel).

The financial statements for 2012/13 show that the County Council received £940 million total income for the last financial year – much of this related to grant income although the value of other income collected across the authority is still significant at almost £60m.

Assurance Opinion:
- **Limited Assurance (Business Support and schools)**

Within some areas of the council we found areas for improvement where certain key controls in income processing are not being complied with. In particular, the Purchasing and Facilities Team within Business Support, now responsible for processing income including Blue Badge payments and also within systems operated within schools.

The main findings within systems operated by the Purchasing and Facilities Team related to:

- Segregation of duties within recording and banking of income
- Documenting the handover of income to the team
- Timeliness of banking income received by the team

These are all key controls that are clearly documented within Financial Procedure 10. It is important that officers are aware of their responsibilities in

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dealing with income to ensure compliance. Income can be a vulnerable area and it is vital that key controls are observed and best practice followed to ensure all income collected is accounted for.

Our work at schools and establishments found issues across several aspects of income processing. We found areas of non-compliance in:

- Independent monitoring of income received within schools - only 35% of schools reviewed were deemed satisfactory. Such management oversight is important in controlling the risk of fraud within income collection and failure to implement these checks leaves schools exposed to potential fraud. Management checks and monitoring of income are covered under Financial Procedure 10 which emphasises the importance of applying key controls.

- Charging policies are not detailed and up to date

- Receipting records not being fully completed

These issues have been raised with individual schools but it is clear that there are issues around awareness and, more importantly, understanding of the requirements of Financial Procedure 10 and these need re-iterating.

Direction of Travel   **Declining**

Although there are robust processes in place centrally to deal with income received there are issues around systems operated in schools and directorates. The failure to comply with key controls documented in Financial Procedure 10 currently affects confidence in these areas.

Management Response

This report is welcome. It acknowledges the good practice that is taking place but, more importantly, highlights issues that need to be addressed. We are confident that those affecting non-schools can be implemented quickly and effectively. The introduction of Agresso will help the Council to ensure that service users are able to make payments to the Council in a greater variety and more flexible ways. With respect to schools, the Council has less direct control over those due to the delegation of budgets to governing bodies, and we recognise that for small schools the segregation of duties is sometimes difficult. Nevertheless, the Council will promote the financial procedure on income in schools and will encourage better practices, using the newsletters and training provided directly to them. With the prospect of Mouchel's Accountancy team returning to the Council in the future, there may be an opportunity for the Council to strengthen the services provided to schools and this could also have a positive impact in this area.

The Audit team has conducted the audit in a professional manner and management welcome the re-assurance it provides and the identification of further improvements that can be made.

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Management Actions	No	All to be completed by:
High Priority	1	January 2014
Medium Priority	6	30 June 2014

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Appendix 3 – Internal Audit Plan & Schedule 2013/14

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Public Health						
Critical Service Areas						We are currently working on establishing the Assurance Map for Public Health which will identify the audit areas for 2014/15. For 2013/14 we will be undertaking a programme of due diligence checks. On-going
Critical service allocation	Audit of critical services to be determined after the assurance map has been produced	25				
Due Diligence						
Due Dilligence allocation	To review the level of compliance with the Council's key financial procedures across service areas within the Directorate	20	Feb 2014			
Key Projects						
Key Project allocation	To audit a key project during the year.	10				
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	30				
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	15	Oct 2013	Oct 2013		
Non-Audit						
Advice & Liaison		10				
Total for Public Health		**110**				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Adult Services						
Critical Service Areas						
Customer Finance & Direct Payments Team	Review of the newly formed team for carrying out financial assessments of clients and making direct payments to clients.	**100**	June 2013	June 2013		Draft Report - indicative limited assurance
Brokerage	Review of end to end process of the Brokerage team for the purchase and monitoring of packages of care.		Sept 2013	Jan 2014		In progress - delayed due to staff vacancy
Organisational learning and follow up	Review progress made to implement recommendations from the 2012 Internal Management Review / audit reviews.		Jan 2014	Dec 2013		In progress
Quality Assurance	Review the effectiveness of the service-quality assurance regime – developed to ensure that ASC operates to best practice standards / policy and procedures.		Jan 2014	Dec 2013		Third party assurance is being obtained
Performance Management	Review of data quality, trend analysis and reporting arrangements, and the actions being taken to address issues.		Oct 2013	Dec 2013		In progress
Reablement Service	Review to gain assurance that the performance of the service continues to improve and that outcomes for service users are achieved.		Nov 2013	Dec 2013		In progress
Key Projects						
Transformation Programme	Review of the programme/project management arrangements for this key ASC programme, considering the design and application of the governance structure.	**45**	Sept 2013	Jan 2014		Delayed due to staff vacancy

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Proactive Support	To provide proactive advice and support on governance, managing key risks and effective internal control.		April 2013	April 2013		On-going
ICT						
Case Management System	To provide proactive advice and support to this project, ensuring that key risks and controls are being considered.	**15**	April 2013	April 2013		On-going
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	**35**				
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	**10**	July 2013	July 2103		Assurance Map updated in July 2013
Non-Audit						
Advice & Liaison		**10**				
Total for Adult Services		**215**				
Children's Services						
Critical Service Areas						
Birth to Five						
Supported Childcare Allocations	To provide assurance that in allocating supported childcare, families are properly assessed and meet the eligibility criteria.	**75**	July 2013	July 2013		Substantial assurance

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Commissioning						
Child Poverty Strategy	To ensure the authority's Child Poverty Strategy is supported by a robust action plan which will ensure national targets for eliminating child poverty are achieved.		June 2013	June 2013		Audit as initially scoped was completed, however revised scope agreed with Children's Services requiring additional work
Performance Assurance Services						
Lincolnshire Safeguarding Children's Board **replaced by** 16 to 19	To review the arrangements Performance Assurance are developing to strengthen the assurance received from the LSCB.		Jan 2014			Children's Services requested removal from the plan and replaced by audit of the '16 to 19' service
Property & Technology Management Services						
Legal Changes to Schools	To provide assurance that statutory procedures are complied with when changes are made to schools' status – such as change in provision, expansion, closure etc.		Dec 2013			Cancelled - reported to Committee November 2013
Police Notification of Domestic Violence	To provide assurance on arrangements to assess and record police referrals.		Dec 2013	Dec 2103		In-progress
Key Projects						
Families Working Together	To review the FWT project to provide assurance that effective mechanisms are in place to: • Identify 'troubled' families	**10**	Sept 2013	Sept 2013		In-progress

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	• Assess family needs • Assess, evidence & record achievement of specified results • Claim available funding					
ICT						
Integrated Children's System ICS	Review of system management, user and administrative access, input and output controls, user training and guidance.	**15**	Dec 2013			On-going
Access Databases	Review of system maintenance, user and administrative access, input and output controls, user guidance.	**15**	June 2013	June 2013		Commenced but delayed by staff shortages
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	**15**				
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	**285**	Oct 2013	Oct 2013	Jan 2014	Assurance map & status report complete
Schools	Periodic audits of maintained schools.		April 2013	April 2013		26 schools completed to date
Non-Audit						
Advice & Liaison		**10**				
Total for Children's Services		**425**				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Communities						
Critical Service Areas						
Environment, Planning & Customer Services						
Carbon Reduction Commitment	Review of the arrangements in place to comply with the Environment Agency's requirements under the CRC, including sign off of the LCC Evidence Pack.	**70**	July 2013	July 2013		Undertaken in 2 parts, first part completed
Flood Management	Review of the development and delivery of the Flood Risk Management Strategy.		Nov 2013	Dec 2013		In progress
Customer Service Centre	To review the arrangements for responding to customer queries, delivering advice and information on council services and forwarding service requests.		Dec 2013	Oct 3013	Dec 2013	Completed - Limited assurance
Highways & Transport						
Civil parking enforcement	Review of the arrangements for the management and monitoring of the contract for the provision of parking enforcement services.		Oct 2013	Sept 2013		In-progress
Adult Services Transport	Review of the impact of personal budgets to give assurance that they have been adequately managed and arrangements put in place.		Jan 2014			
Key Projects						
Spalding Western Relief Road	To provide assurance that appropriate arrangements are in place for the governance, management and monitoring of the design stage to ensure planning	**20**	Jan 2014			Cancelled - reported to Committee November 2013

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	permission is achieved.					
Castle Revealed	To provide assurance that appropriate arrangements have been put in place to manage the project works and finances and they are being properly applied.		May 2013	May 2103		Draft report – indicative assurance is substantial
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	**15**				
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	**10**	Oct 2103	Oct 2013	Jan 2014	Assurance map updated and status report complete
Non-Audit						
Advice & Liaison		**10**				
Total for Communities		**125**				
Resource & Community Safety						
Critical Service Areas						
Fire & Rescue						
Fleet Provision	To review the provision and maintenance of the fleet, including the safeguards in place to prevent reoccurrence of the AssetCo risk.	**70**	Jan 2014			

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Safer Communities						
YOS – under 18s single remand order	To review the Authority's response to the Legal Aid and Punishment of Offenders Act 2012 – scope to cover: process, finance and links to Children's Services – Looked After Children		June 2013	June 2013	August 2013	Completed – Substantial Assurance
Trading Standards	Assessment of resourcing, task prioritisation and impact on timescales.		May 2013	May 2013	Nov 2013	Completed - Limited Assurance
Procurement Lincolnshire						
Category Management	Review the effectiveness of category management model and development of supply market intelligence to delivery client needs and sustainable outcomes.		August 2013	Sept 2013		In progress
Business Support						
Direct Payments	Review of process, compliance and support arrangements in light of change of responsibilities – system is significant to the support in ASC and has had past limited assurance from Audit.		May 2013	May 2013		Draft Report - indicative Limited Assurance
Registrars / Coroners						
Coroners	Management request - review of Coroner income and expenditure following changes in jurisdiction, legislation and standardisation of processes.		N/A	Nov 2013		In progress
Due Diligence						
Resources						
Creditors	To ensure that the financial control environment in these systems are robust	**260**	Aug 2013	Oct 2013		Split assurance - Substantial

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Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	and operating effectively.					(Mouchel), limited (directorates)
Debtors	The reviews will assess whether income and expenditure budgets are regularly monitored, appropriately controlled and reported.		Sept 2013	Nov 2013		Draft report – split assurance. Limited (directorates)
Procurement Card			Nov 2013	Jan 2014		In progress
Pensions Administration			Dec 2013			C/fwd to Q4
Budget Management			Jan 2014			
Pensions Fund			Feb 2014			
Income			Sept 2013	Sept 2013	Dec 2013	Full assurance (Mouchel), Limited (directorates)
Key financial systems – transaction testing	Throughout the year test key controls and transactions feeding into the Council's accounts in liaison with External Audit		April 2013 July 2013 Nov 2013	May 2013 Aug 2013 Nov 2013	Oct 2013	Year End – Full Q1 - Substantial Q2 – in progress
Financial and Contract Regulations – establishment visits	To review the level of compliance with the Council's key financial procedures across selected service areas: Eventus Business Centre Horncastle Business Centre Boston Registration Office The Beacon Children's Centre		Dec 2013	Dec 2013 Dec 2013 Dec 2013 Jan 2014		Draft report Draft report Draft report Draft report
Risk Management	To provide assurance on the risk management strategy, structure and operations within the organisation.		March 2014			

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Contract Management	Council-wide probity / compliance work covering service delivery, quality and contract payments "business as usual"		Nov 2014	Nov 2014		In progress
ICT Applications						
SAP		**15**				
Key Projects						
FDSS	Involvement in property project / contract / open book accounting / PQQ process (quality assurance)	**10**	Dec 2013	Dec 2013		Ongoing
Emerging Risks						
Emerging risk contingency	To audit any strategic risks and significant emerging risks arising in the year.	**20**				
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	**10**	Nov 2013	Nov 2013	Jan 2014	Assurance map updated and status report complete
Non-Audit						
Advice & Liaison		**10**				Ongoing
Total for Resources & Community Safety		**395**				
Performance & Governance						
Critical Service Areas						
People Management	Review the effectiveness of the People Strategy launched in 2012 and the strands underpinning delivery of the	**20**	Sept 2013	Nov 2013		In progress

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	Council's people management arrangements					
Due Diligence Activities						
Corporate Governance	To review the effectiveness of the Council's governance arrangements, including compliance with new standards regime	20	April 2013			In progress
Gifts, Hospitality and Register of Interests	To assess the level of compliance with the Council policy for managing gifts and hospitality and controlling potential conflicts of interest.		Dec 2013			To start Jan 2014
ICT						
	Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan. Scheduling of individual ICT audits will be agreed when the assurance map is finalised.	85				Days reduced to 40, reported to November Audit Committee, and dependent on availability of Deloitte auditors
Key Projects						
Broadband in Lincolnshire	To provide assurance on delivery and compliance with the grant conditions.	10	Feb 2014			
Strategic / Emerging Risks						
Strategic risk	To seek assurance on the key controls linked to strategic risks which sit within	15				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	the directorate, e.g. Becoming a Commissioning Council					
Emerging risk contingency	To audit any significant emerging risks arising in the year.					
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	**10**	Nov 2013	Nov 2013		In progress
Non-Audit						
Advice & Liaison		**10**				On-going
Total for Performance & Governance		**170**				
Grand Total		**1440**				

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CIPFA Better Governance Forum

Audit Committee Update
– helping audit committees to be effective

Issue 12

Reviewing Internal Audit Quality

New CIPFA Publication, *Audit Committees Practical Guidance for Local Authorities and Police*

Regular Briefing on Current Issues

November 2013

Introduction

Dear audit committee member,

This issue of Audit Committee Update focuses on reviewing internal audit quality. Ensuring the quality of internal audit is an important part of the professional standards for internal audit (the Public Sector Internal Audit Standards) and is an important responsibility for your head of internal audit. From the audit committee's point of view it is an area that you need to be satisfied that appropriate arrangements are in place, underpinning the important assurance work that your internal audit team provide.

This issue also outlines the new guidance from CIPFA's Audit *Committees, Practical Guidance for Local Authorities and Police* due out next month.

As usual we also feature a round-up of legislation, reports and developments that may be of interest to audit committee members.

We have included links to resources and further information on our website. To access these all you need to do is register. Further details on how to do this are at the bottom of the page.

We welcome feedback on these briefings and also any suggestions for future topics. Feel free to contact me and let me know.

Kind regards

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CIPFA Better Governance Forum

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Previous Issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. The earlier issues are on the archive site. Click on the links below to find what you need.

Issue	Principal Content	Link
1	Reviewing the Audit Plan	Issue 1
2	Reviewing the Annual Governance Statement	Issue 2
3	Countering Fraud	Issue 3
4	Strategic Risk Management, Governance Risks in 2011, Role of the Head of Internal Audit	Issue 4
5	Understanding the Impact of IFRS on the Accounts, Key Findings from CIPFA's Survey of Audit Committees in Local Government	Issue 5
6	Partnerships from the Audit Committee Perspective	Issue 6
7	Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	Issue 7
8	Commissioning, Procurement and Contracting Risks	Issue 8
9	Reviewing Assurance over Value for Money	Issue 9
10	Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	Issue 10
11	Local Audit and Accountability Bill, the Implications for Audit Committees Update of CIPFA's Guidance on Audit Committees	Issue 11

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This briefing will be sent to all key contacts of organisations that subscribe to the CIPFA Better Governance Forum with a request that it be forwarded to all audit committee members.

If you have an organisational email address (for example jsmith@mycouncil.gov.uk) then you will also be able to register on our website. This will give you access to governance material, guidance documents and you can receive these briefings directly.

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Workshops and Training for Audit Committee Members in 2013 and 2014 from CIPFA

Improving the Standard of your Audit Committee

A new series of workshops that will explore the challenges and barriers to performing effectively as an audit committee.

2014 dates:

22 January London, 5 February Chester, 12 June Edinburgh, 9 July York, 10 July Birmingham, 4 December London

Advanced Audit Committees

Have you cracked the basics? This workshop examines the audit committee role in strategic risk management, value for money, counter fraud and assurance gathering.

20 November 2013, London, Further dates available in 2014

Essential Skills for Board Members

The role of a board member in a public sector body, featuring sessions on corporate governance, decision making, accountability and evaluating board performance.

3 December 2013 London

17 June 2014, London

http://www.cipfa.org/events

In-house training

We have many years' experience in delivering training in-house for audit committees.
A range of options are available including:
- Key roles and responsibilities
- Effective chairing and support for the committee
- Working with internal and external auditors
- Corporate governance
- Strategic risk management
- Value for money
- Counter fraud
- Reviewing the financial statements
- Treasury management
- Assurance arrangements
- Partnership assurance

We can also develop bespoke training to meet your needs.

For more information please contact inhousetraining@cipfa.org or speak to Diana Melville.

Internal Audit Needs You!

What have you done this year to maintain the quality of internal auditing?

Nothing? Not your job? Think again.

Asked the external auditor? Well, have a care! External audit has an explicit and specific goal – to give an opinion on your financial statements. When external audit assesses your system of internal control, it does so against criteria related to how the system helps to ensure true and fair financial statements – and it assesses internal audit in this way too.

Internal audit has a much wider purpose – it is there to assess your system of governance, how you manage risks over operations and strategic matters as well as over financial reporting, and how you then control those risks. Internal audit is there to give you a report every year, including a conclusion on the effectiveness of governance, risk management and control. Internal audit is also there to help your organisation to take action to improve how the organisation controls its risks. If you discuss internal audit with your external auditor, make sure you know the context of their remarks.

Internal audit is a profession with standards of education and of performance. It recognises that to achieve the quality of work that you deserve every day of the year, it has to have a programme to ensure that quality. This is what the Quality Assurance and Improvement Programme (QAIP) is all about – it comprises a set of activities that your internal auditors will carry out and commission and it ensures that your internal audit activity is fit for purpose.

The UK Public Sector Internal Audit Standards, introduced from April 2013 to ensure a consistent standard of performance across the public sector, include the requirement for the QAIP. This is in line with international standards for the profession of internal auditing.

You may have heard people talking about needing a costly external assessment of quality. That's not the most important aspect of this. What is important is acknowledging that quality doesn't just happen; that to be fit for purpose, you must first agree what the purpose is and what good performance looks like. After that, achieving quality every day requires good people, good processes and hard work.

So, you can expect that your internal audit team will be talking to you and all their stakeholders about what "good" looks like to you. You can expect your internal audit team to be setting out procedures and templates and expectations that help every internal auditor to do their work to the standard required. You can expect your internal audit team to take some time out to review the work of the team to check if it is in line with procedures, and, perhaps more importantly, if it actually achieves the desired outcomes.

That's what quality is all about. And, you might say, that's what management is all about too – and it is. What the QAIP does is ensure that all professional internal auditors pay attention to quality.

The QAIP must include on-going checks, an internal assessment and an external assessment. That requires professional internal auditors to take care to establish the level at which they must work, to review it every day, to conduct a more thorough review once a year and to invite every few years a knowledgeable outsider to review what they are doing as an independent check.

The annual review is a chance for the internal audit team to step back and to look at what they are doing and how they are doing it. They will look at the standards and ask

themselves: How are we applying these principles? What do our processes say? Are we following them? And, is that achieving the outcomes we intended?

The value of an external assessment really comes out when you have someone who knows about internal auditing and who has no personal axe to grind. For that reason, it is worth following the professional standards to find an "Independent and Qualified Assessor".

Your head of internal audit will be reporting to you on the programme of quality assurance and improvement. In the annual report, they'll tell you about the programme itself and about its results, or, as standards say: "a statement on conformance with" them. They can report more frequently on the on-going monitoring part of the programme, if you wish.

It's worth familiarising yourself with the expected language of these reports. Quality isn't about a binary yes/no answer. It has to mould itself to each organisation and it works best when people focus on trying to apply the principles that the standards capture. That's why we use the word "conformance", not compliance. The statement will say your internal audit department generally conforms, partially conforms or does not conform with the standards.

As an audit committee member, what can you do to help?

1. Think about what you want from internal audit.
2. Think about the value of their independent and objective but knowledgeable view of what the organisation is doing.
3. Give the internal auditors enough resources to do a good job and keep professionally up-to-date.
4. Encourage the internal audit team to take its on-going quality work seriously.
5. Ask for regular updates on the findings of the QAIP and what things the internal audit team is doing to improve the efficiency and effectiveness of its work.
6. Support the need for an external assessment every few years and take part in interviews and other parts of the assessment.

Sources of further information:

Public Sector Internal Audit Standards – a free document, available from the website of the UK Public Sector Internal Audit Standards Advisory Board. http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards

Local Government Application Note for the UK Public Sector Internal Audit Standards 2013 - The PSIAS are new and complex, and CIPFA recognises the need to provide guidance for the bodies set out above in applying them, and has produced an Application Note to provide that guidance. The CD Rom version includes a Word version of the assessment tool that can be used as part of the QAIP. Check with your head of audit if they have a copy you can access. http://www.cipfa.org/policy-and-guidance/publications/l/local-government-application-note-for-the-united-kingdom-public-sector-internal-audit-standards-cdrom

Jackie Cain CMIIA
Technical Manager
CIPFA

New Guidance from CIPFA for Audit Committees in Local Authorities and Police

CIPFA will be publishing a new position statement and guidance on audit committees in December 2013. This will replace the current CIPFA's publication *Audit Committees Practical Guidance for Local Authorities* and *Position Statement* which were published in 2005. Since then audit committees have become well established and a core part of good governance. During that time there have been some significant changes to governance to which audit committees have had to adapt. Taking these trends together, CIPFA felt it was timely to issue a fully revised position statement and guidance document.

The position statement sets out what CIPFA considers to be good practice for audit committees and the publication is an aid to achieving that. While CIPFA hopes that local authorities and police audit committees will review their arrangements against the new position statement, it is a recommendation and not mandatory to do so.

What's new?

The new guidance reflects developments since the original document, for example Public Sector Internal Audit Standards and Annual Governance Statements. It also provides support on a wider range of topics where the audit committee may expect to be involved, for example, assurance over value for money and counter fraud arrangements. It recognises the significant changes affecting police audit committees following the Police Reform and Social Responsibility Act 2011 and also developments in Wales with the introduction of statutory audit committees.

The publication recognises that there isn't a "one-size fits all" template for audit committees so while the publication includes an updated terms of reference, authorities are encouraged to think more widely about how their audit committee adds value and supports the organisation's objectives. An important new section on effectiveness emphasises an evaluation of the impact of an audit committee rather than compliance with a checklist. For example, the audit committee can support improvement across a range of objectives such as good governance, arrangements to secure value for money and the operation of an ethical governance framework.

What has stayed the same?

Many of the principles set out in the original position statement are unchanged. CIPFA is not recommending changes to the way most audit committees are constituted. There are a few key principles that CIPFA thinks form an essential platform on which to build a successful committee and the position statement includes these.

Additional resources

The publication includes additional resources to support those reviewing their audit committee and working to make it as effective as possible. There is additional guidance on the knowledge and skills audit committee members should have and assessment tools to help you review your arrangements. There is also an analysis of the common problems an audit committee may experience and suggestions for addressing these.

The position statement and publication will be available in December from the CIPFA website. If you have queries relating to the purchase of the publication then please contact publications@cipfa.org. If you have any queries about the latest guidance please contact me.

Diana Melville

Governance Advisor

Diana.Melville@cipfa.org

Developments You May Need to Know About

• Legislation and Regulations

Local Audit and Accountability Bill

The July 2013 edition of the Audit Committee Update gave Audit Committee members an overview of how the provisions of the Local Audit and Accountability Bill could impact on the work of Audit Committees. As promised, this note provides a brief update.

The Bill completed its passage through the House of Lords on 24 July 2013 and received its 2nd Reading in the House of Commons on 28 October 2013. It goes into Committee on 5 November 2013 and is still expected to complete all parliamentary stages by the end of the year and receive Royal Assent early in 2014.

The government has promised to introduce amendments to the Bill to permit the creation of sector-led procurement bodies (one for principal authorities and one for smaller authorities) to appoint auditors. Authorities that opt to use such procurement bodies will not need to establish an Auditor Panel. There are clearly advantages in using sector-led procurement bodies, not least in that it will mean audit committees retaining their role in relation to external audit.

The Opposition suggested during the 2nd Reading that they might introduce an amendment during Committee stage to place local government audit committees, chaired by an independent person, on a statutory footing. This idea was raised during the Lords' Grand Committee stage and was supported by many peers from all parties, although an amendment was voted down. Peers believed that such a move would then obviate the need for auditor panels, as the audit committee could perform that function. It will be interesting to see if such a provision gains the same level of support in the Commons. If it were to become law, this could have significant implications for local authorities in terms of appointing audit committee chairs, but equally could enhance the role of audit committees in local government.

A further update will be provided in the next issue.
David Watkins, Policy and Technical, CIPFA.

The progress of the Bill can be tracked on the Parliament website.

Financial Management Code of Practice for the Police Forces of England and Wales

The Home Office has issued an updated code of practice. The code refers to a number of CIPFA standards and guidance documents including *Public Sector Internal Audit Standards* (2013) and *Delivering Good Governance in Local Government: Guidance Note for Police* (2012). In establishing police audit committees the police and crime commissioner and chief constable should have regard to the CIPFA *Guidance on Audit Committees* due out in December 2013.

The code of practice comes into effect from 1 November 2013. This is statutory guidance applying to England and Wales.

Financial Management Code of Practice

Local Authority Accounts (Scotland) Regulations 2013

The Scottish Government has recently conducted consultation on new accounts regulations for Scottish local authorities. The proposed regulations will amend regulations covering publication of annual governance statements, timing of publication of the financial statements and internal audit. The proposals in these areas are in line with the Accounts and Audit Regulations already in force in England.

Key points proposed are:
- the local authority must conduct a review of the effectiveness of its system of internal control and publish an annual governance statement
- a local authority must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with recognised practices in relation to internal control
- a local authority must, at least once in each financial year, conduct a review of the effectiveness of its internal audit
- the proper officer must certify the statement of accounts by 30 June each year and submit them for audit. The authority must publish the unaudited statements of accounts on its website
- approval of the audited accounts must take place by 30 September.

It is intended that the final regulations will come into force on 31 March 2014 and will apply to the financial year 2013/14. This means that audit committees in Scotland will need to ensure that the regulations are complied with in relation to the 2013/14 accounts, annual governance statement and annual review of internal audit.
Consultation draft of Accounts Regulations 2013

- ## Reports, Recommendations and Guidance

Audit regime compliance monitoring reports

The Audit Commission conducts monitoring of their outsourced audit contracts and publishes quarterly and annual reports on the results for each of the contracted firms. The latest quarterly reports relating to 2013/14 were published in September. The reports cover a range of performance indicators including the issue of annual audit letters, quality of data returns, complaints against the auditor upheld, fee variation requests and requests to undertake non-audit work.

It is helpful for audit committees to understand the monitoring that is undertaken by the Audit Commission and to review the results for their own external audit provider.
Audit Quality Reports

Transparency International UK, Corruption in Local Government

This recent report investigated the risks and evidence of corruption in local government. It didn't find evidence of widespread corruption but it did conclude that there are conditions within local government that could enable corruption to thrive. The report is also critical that some checks and balances within local government are being reduced or removed, particularly in England. The report makes a number of recommendations to the government but also for individual local authorities, including:

- each local authority should have a nominated individual responsible for counter-corruption
- each local authority should undertake a periodic corruption risk assessment in relation to its own functions and operations
- there should be strict procedures requiring officers always to report (i) major price discrepancies among procurement bids and (ii) details of contract variations to the council's audit committee and senior management.

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- internal auditors and those conducting internal investigations should be supported to ensure adequate resourcing and independence
- elected members' declared interests must be subject to monitoring and, where appropriate, investigation.

Corruption in Local Government report

Committee on Standards in Public Life Annual Report 2012/13

The Committee's annual report outlines the work of the committee over the year but also reflects on the current evidence of standards and areas of risk. While the committee finds evidence of good practice it also highlights the need to review ethical governance and to continue to reinforce standards at the operational level. More specifically it recommends:

> *'Ethical issues should feature regularly on the agendas of the boards of public bodies and, where appropriate, on risk registers. All such boards should as a matter of course monitor standards of behaviour throughout their organisation, either directly or through their audit and risk committees.'*

The report also expresses concern over the operation of local government standards and the committee has identified this area as one of the outstanding risks it will continue to monitor. Other risks areas it is likely to investigate include:

- how best to maintain high standards as new models of delivering public services are developed and
- the interchange between the public and private sectors (the so-called revolving door).

Committee on Standards In Public Life Annual Report

Severance agreements and confidentiality clauses – update on NAO report

The National Audit Office has published a report containing further work on severance agreements and the use of confidentiality clauses. Their findings highlight the need for:

- better guidance on the use of confidentiality clauses and special severance payments
- improved transparency and oversight to identify and address patterns of behaviour.

The original report highlighted concerns that compromise agreements could potentially interfere with genuine whistleblowing under the Public Interest Disclosure Act 1998.

National Audit Office report

Single Fraud Investigation Service update

An emerging issue is the latest proposal to form the Single Fraud Investigation Service (or SFIS) to undertake all benefit investigations as part of the universal credit development. The Department for Work and Pensions (DWP) is proposing that SFIS should be sited within the DWP rather than shared between local authorities and the DWP. If agreed this could mean that local authority fraud investigators and legal prosecutors transfer to SFIS or the Crown Prosecution Service during 2014/15. There is concern that some local authorities will have reduced capacity and expertise to tackle other areas of fraud risk such as council tax, business rates, housing and all other forms of corporate fraud as a result.

Audit committee members should consider what impact the proposals could have for their organisation's counter fraud capability.

The latest information is available by joining the LGA Knowledge Hub. Alternatively the following article summarises the new position. SOLACE briefing on SFIS

- ## Look out for

Protecting the Public Purse

The Audit Commission report will be published on 14 November. The report is based on their annual data collection on fraud from English local authorities and gives valuable insight into the experience of fraud and emerging fraud risks in the sector. It will be available from the Audit Commission website.

Fighting Fraud Locally update and conference

Registration is now open for the third annual conference in London on 10 December. It will update on progress made over the year and consider the next steps for tackling fraud in local government. Details of the conference are available here: http://fightingfraudlocally.co.uk/

Download the Fighting Fraud Locally Strategy

Whistleblowing Commission Report and Recommendations

Public Concern at Work will be publishing the report of the Commission on 27 November. Details will be available on the Public Concern at Work website.

The Audit Committee Cycle

Take stock of your assurance needs

Mid-way through the year it is helpful to take stock of the assurances planned, received and any emerging issues. Audit committees usually plan their agendas for the year to ensure that they are covering all the appropriate areas in their terms of reference and it is likely that the committee will have received regular updates or monitoring reports on assurance. For example you are likely to have had progress reports from internal audit outlining work done to date and performance against the audit plan and there may be regular reports outlining current risks or progress against action plans or strategies.

It is important to keep track of changes to ensure that adequate assurance is received to support the fulfilment of the committee's terms of reference and to underpin the annual governance statement. The committee should also be made aware of any resourcing issues that could impact on the head of internal audit's annual opinion.

Where any significant governance, risk or control issues emerge during the year the audit committee may need to re-assess their need for assurance and their agendas to respond to these.

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COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**External Audit Progress Report**

Summary:

The report at Appendix A provides the Committee with an update including:
Work performed during the interim audit stage - County Council and Pension Fund audits.

Work planned for the next quarter.

Recommendation(s):

The Committee considers the progress report and identify any further information that might be required.

Background
Part of the Committee's terms of reference is to receive reports from external audit on their work.

Conclusion
The report summarises for the Committee all aspects of the external audit planned work.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	External Audit Progress Report

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Tony Crawley, who can be contacted on 0116 256 6070 or tony.crawley@kpmg.co.uk.

External audit progress report

Lincolnshire County Council

January 2014

Introduction	We completed our audit of your 2012/13 financial statements and presented our Annual Audit Letter to Audit Committee on 11th November 2013.
	Our work on your 2012/13 grants and returns has been completed and our annual report will be presented to the next Audit Committee.
	We are now in the process of planning our 2013/14 audit of the County Council and Pension Fund.
Summary of work planned for the next quarter	Our work over the next quarter will focus on:
	• Issuing our annual report on the certification of your 2012/13 grants and returns;
	• Issuing our 2013/14 Audit Plan following meetings with senior staff at the Council to discuss emerging issues and risks affecting the 2013/14 audit;
	• Meeting with senior members of the finance team to outline our approach to the financial statements audit, confirm the timings of our work, and to discuss any significant matters that will contribute to our plan;
	• Issuing the Council with our "Prepared by Client" list of expected working papers following our initial discussions and understanding of the Council's processes and activities;
	• Undertaking our interim work at the Council and Pension Fund. This will include our review of controls over key financial systems and IT controls; and
	• Commencing our initial risk assessment of your VFM arrangements. We are currently reviewing the arrangements for the FDSS contract for the purposes of our VFM conclusion.
Actions	We ask the Members of the Audit Committee to note this progress report and inform us of any issues that may impact on the progress or focus of our audit work.
Contacts	Tony Crawley *Director/Engagement Lead* Tel: 0116 256 6067 tony.crawley@kpmg.co.uk
	Trevor Croote *Manager* Tel: 0116 256 6070 trevor.croote@kpmg.co.uk

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Lincolnshire
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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources & Community Safety	

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Supporting sound financial management and internal control in schools and academies.**

Summary:

To update the committee on ways in which Children's Services, the Mouchel Schools' Finance Team and Internal Audit support schools to improve their financial management and internal control arrangements. The report also provides information on the assurance framework set out for academies by the Education Funding Agency.

Recommendation(s):

To consider the content of this report and identify any action the committee requires.

Background

In June 2013, we provided a report to the Audit Committee on our work with schools during 2012/13. This report highlighted an increase in the number of schools given Limited Assurance following an audit visit when compared to previous years. It can be difficult to compare results year on year as a different group of schools is visited and during 2012/13 we visited a number of schools that had not been audited for some time.

The report prompted members to ask how the Authority works with schools to address the issues our audits identify. This report provides details of the mechanisms that Children's Services, Internal Audit and the Mouchel Schools' Finance Team have in place to support schools to improve financial management and internal control. Whilst we are able to influence and advise schools, delegation means that a school's Headteacher and Governing Body are ultimately responsible for ensuring arrangements are adequate and protect staff, the school and the public purse.

At April 2013, the authority maintained 261 schools with budgets totalling around £281.5m.

Maintaining sound financial management arrangements and the control environment in local authority schools

The Governing Body

Under the School Standards & Framework Act 1998, each local authority determines the size of the Individual Schools Budget and allocates this between schools using an approved funding formula. The Government's school funding reforms for 2013/14 have reduced the number of factors that are used to calculate budget shares and further changes to the funding formula are proposed for 2014/15. The local authority delegates the budget to a school's governing body.

The financial controls within which delegation works are set out in a Scheme made by the local authority and approved by the Secretary of State. Periodically the DfE directs local authorities to make changes to their schemes and local changes may also be made. Any amendments to schemes must be consulted on with all maintained schools and be approved by the Schools Forum. Under Lincolnshire's Scheme for Financing Schools, the governing body is responsible for the management of the school's delegated budget.

Specific roles and responsibilities for financial management and the operation of financial controls are set out in a school's Finance Policy. The local authority has provided a framework document that can be adapted to suit the specific needs of a school. A copy of the framework finance policy is attached as Appendix A.

Schools Financial Value Standard (SFVS)

In September 2011, the DfE launched the new SFVS after the Financial Management Standard in Schools (FMSiS) was withdrawn by the Secretary of State from 15th November 2010. The SFVS is a tool to assist maintained schools in managing their finances and to give assurance that they have secure financial management in place. The Standard also requires that schools consider and assess their internal control arrangements and how they protect the public purse. A copy of the Standard is attached as Appendix B.

Maintained schools are required to complete the SFVS once a year. As governing bodies have formal responsibility for the financial management of their schools the standard is primarily aimed at governors. There are 23 questions that governors should formally discuss with school staff to assess the adequacy of the arrangements they have in place. Any gaps should be highlighted and addressed through an agreed action plan. A copy of the completed Standard and a declaration signed by the Chair of Governors must be sent to the local authority each year. The Council's Director of Resources then submits a statement to the DfE confirming that all schools have completed the SFVS.

In 2012/13, only two schools failed to complete the SFVS: one of those was a special school that was due to close and the other was a special school that was subject to a significant change in management.

Unlike FMSiS, the SFVS is not externally assessed. The DfE's guidance states that:
- there is no prescription of the level of evidence that the governing body should require
- the important thing is that governors are confident about their responses
- local authorities should use schools' SFVS returns to inform their programme of financial assessment and audit and
- when they conduct an audit, local authorities can check whether the self-assessment is in line with their own judgement.

As part of our internal audit work, we review the completion of the SFVS when we visit a school but we do not specifically look at the evidence presented to governors when they make their assessment. Our audit programme covers 16 out of the 23 questions, and therefore we are able to provide the school's management and Children's Services with an independent view on these elements to compare with the governors' self assessment.

Children's Services

Since delegation of budgets to schools in 1990, Children Services has continued to provide comprehensive training to governors, headteachers and other school staff and has developed key documents to help schools with their financial management (e.g. finance handbooks, the medium term finance plan, budget monitoring reports, finance policies, etc).

Monitoring of schools finances takes place twice per year, but has, due to the level of resource, necessarily been very high level. School census data is used by Children's Services to undertake their review over school budgets in December each year.

The success of the local authority's approach to helping schools improve their financial management is shown by the reduction in the number of schools that now have deficits. At the end of 2012/13 numbers had decreased by fifteen, from nineteen to four. The number of schools with overspends comprised:
- 1 (0.4%) primary school (2011/12 – 12 schools)
- 2 (18%) secondary schools (2011/12 – 7 schools)
- 1 (5%) special school (2011/12 – 0 schools)

It is notable that:
- The total value of deficits at the end of 2012/13 decreased by £1.185m to £0.181m.
- The deficits in each sector at 31 March 2013 were:
  - primary sector: £0.011m.
  - secondary sector: £0.120m.
  - special sector: £0.051m.
- Apart from 2009/10, the number of schools with deficits has fallen every year since a peak of 65 at 31 March 2003 (as stated above, there were 4 schools with deficits at 31 March 2013). Although the conversion of many secondary

schools to academies in the last two years will have assisted with that improvement, this is a notable achievement over a long period of time.

To further support schools' finance management, the current review of the Scheme for Financing Schools by Children's Services includes a proposal that all schools be required to submit a Medium Term Finance Plan (MTFP) to the local authority with the annual budget each year. The plan is critical to effective financial management in schools and has often been highlighted as a weakness in audits (generally plans having errors, not being up to date or showing future potential budget deficits). The local authority will undertake high level checks on schools' MTFP and any key points or concerns will be fed back to schools. This will help to ensure plans are completed and details are realistic.

More detailed work will continue to be undertaken with the schools that have overspends. Schools with limited assurance are raised with the School Improvement Service through the Schools Causing Concern process. If there are serious concerns about a school, Children's Services will call in the Headteacher and Chair of Governors. The Council very rarely withdraws delegation from schools, this is a last resort and there are significant resource implications which would usually be unmanageable. There are no dedicated monitoring resources at operational level as funding is delegated to schools.

Mouchel Schools' Finance Team

The support service provided by Mouchel Schools' Finance Team is a 'buyback' service purchased by schools when they opt to use the authority's financial system SAP. Their role is to administer the system and provide a high level oversight, rather than looking at each school's financial transactions in detail or managing them.

The Schools' team provides day to day review and support to schools through:

- a helpdesk giving advice on using SAP, accounting practice and policies
- monthly monitoring and reporting from SAP to make sure financial information is complete and up to date. Schools are contacted to ask that they correct any errors or omissions
- monitoring & intervention of schools' finance – input to the school budget monitoring group, follow up with schools to highlight issues causing concern, review of finance plans and outturn projections. Face to face reviews with primary schools that have overspends
- school business support service – schools can pay for a more tailored service including on site training, production of finance plans, budget setting, bespoke governor training and benchmarking.

The team also provides a range of training courses and practical workshops that Headteachers, school finance staff and governors can attend for free. These include:

- Governor training – Overview of Financial Management
- Sessions on Current Financial Topics

- Finance for new Administrators
- Financial Management
- Financial Management for new Headteachers
- Medium Term Financial Planning / MTFP workshops
- Budget Preparation sessions

The schools that hold a 'prime account' do not buyback into the schools' team support service, although they can attend training. Oversight of these school budgets is more difficult as officers in LCC and Mouchel cannot access their financial information on an ongoing basis. However, the number of 'prime account' schools has reduced over recent years – there are now just eight.

Internal Audit

Internal Audit has a five year rolling programme of planned internal audit visits to the county's maintained schools. During audit visits they review processes and controls by talking to key staff and examining records. The systems covered range from review of financial policies and plans to budget setting, use of bank accounts, procurement cards and imprest accounts. They also review the operation of the voluntary 'school fund' and confirm that it is regularly and independently audited.

Internal Audit communicates the results of their work in an Audit Report which includes an overall opinion on the adequacy of the schools financial arrangements and recommendations to improve financial controls. These reports are shared with the Headteacher, Chair of Governors, Children's Services and the School Improvement Service (CfBT).

Internal Audit monitor the implementation of agreed management actions through the recommendation tracker twice a year.

There are other ways in which Internal Audit contribute to maintaining the control environment and help give assurance to Children's Services and governing bodies:

- Daily contact with schools to provide advice and guidance on risks and controls within financial processes, introducing new processes (such as cashless income systems) and the application of financial procedures
- Providing a short session and information on risks and expected controls within schools' financial processes at the financial management training days set up by Mouchel Schools' Finance Team
- Ad hoc updates to schools on internal controls and potential fraud risks / scams through mechanisms such as the Schools Bulletin and Audit Lincolnshire's own website.

Internal Audit also offer interim assurance visits to schools at a cost which they meet from their own budgets. They are designed to offer Headteachers and Governors additional assurance on their financial management and internal control arrangements between the five yearly visits.

Academies – financial management and internal control arrangements

The relationship between an Academy and the Secretary of State for Education is set out in the academy's funding agreement. This legal document defines the academy's duties and responsibilities to effectively manage their financial affairs, and is supported by the Education Funding Agency's (EFA) Academies Financial Handbook. The latest version of this was issued in September 2013.

The Board of Trustees are responsible for the proper stewardship of the funds held by the academy, and must ensure economy, efficiency and effectiveness in their use. The Board must also follow guidance on accountability and propriety, being aware of publications from the Charity Commission including Internal Financial Controls for Charities.

In the Academies Financial Handbook, the EFA sets out a number of mechanisms and requirements to provide Parliament with assurance on financial management and internal control within academies. These include:

- Defining the specific accountability of the Trust's Headteacher or Principal (as the Accounting Officer) to Parliament. The role has personal responsibility for ensuring regularity, propriety and value for money. The Accounting Officer is also responsible for keeping proper financial records and managing risks
- The Accounting Officer's annual statement on regularity, propriety and compliance that must be included within the academy trust's annual report
- A review of the Accounting Officer's statement by the trust's external auditors as part of their year-end audit of the accounts
- Self assessment of financial management and governance (completing the EFA's Financial Management and Governance self-assessment: FMGS) where financial statements are not produced in the first year of operation
- Producing and following a finance manual that sets out financial procedures, controls, key roles and responsibilities and delegated levels of authority within the academy
- Having an Audit Committee, or adding the responsibilities of an audit committee to the remit of another committee. Since September 2013, only Trust's with income over £10m or capitalised assets over £30m must have a dedicated audit committee
- A requirement to maintain a risk register identifying and assessing the risks arising from its operations, how these are being managed or mitigated and that this is regularly reviewed
- Annual external accounts of the academy's accounts by a registered auditor

Academies are not legally required to have an internal auditor. However, the committee with audit responsibility must review the risks to internal financial controls and must put in place a mechanism for independent checking of financial controls, systems, transactions and risks. Options for this include:

- An internal audit service
- A programme of supplementary work completed by external auditors

- A 'responsible officer' who is a non-employed trustee and is not paid for the work completed
- A 'peer review' by an appropriate member of staff from another academy trust

Audit Lincolnshire provides this service to nine Academy Trusts, supporting them in establishing effective risk, governance and internal control arrangements that protect and strengthen the academy.

Conclusion

A maintained school's headteacher, management team and governing body are responsible for applying good financial management and maintaining an effective control environment.

A number of mechanisms are in place to support schools, and advice on how to improve financial management and internal control is always available through either Mouchel Schools Finance Team or Internal Audit.

Detailed guidance and training is available to support school staff and governors, but accessing this advice is down to each individual school.

Lincolnshire continues to undertake monitoring at a 'high level' rather than maintaining significant capacity which would enable more robust and detailed monitoring of school budgets.

Responsibility for an academy's financial affairs lies with its Accounting Officer and Board of Trustees. The EFA has put in place a framework for academies to follow to support sound financial management and appropriate internal control arrangements. Oversight is provided by a committee with 'audit committee' responsiblities, a mechanism for periodic independent checks on financial records and the external auditor.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Framework Finance Policy
Appendix B	DfE Schools Financial Value Standard
Appendix C	Summary of School Audit Work 2012/13

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

SECTION A4   SCHOOL FINANCE POLICY 20XX

A4.1.1   <u>Introduction</u>
Schools are currently expected to have a whole series of plans and policies covering all aspects of their work.

The Schools Finance Team has put together a draft finance policy that can be adopted and amended to suit school's individual needs.   A draft is attached. It is intended to bring together the key aspects of finance under one policy document.   It deals with roles and responsibilities, budget setting, budget monitoring, financial planning and many other important financial issues.

The LA recommends that all schools produce a finance policy. To assist schools, the draft policy attached will be placed on GEORGE.

Queries should be addressed to the school's nominated Finance Technician, in the first instance.

More detailed information and guidance relating to this policy can be found throughout the School Finance Handbook. George pathway:

[Handbooks and Guidance - George Intranet](#)
SAP School Finance Handbook or Prime Account School Finance Handbook.

School staff and governors should also be familiar with the Scheme for Financing Schools. George pathway:

[Handbooks and Guidance - George Intranet](#)
Scheme for Financing Schools

A4.2.1 Introduction
The governing body recognises that it is ultimately responsible for the financial management of the school and has produced this policy document to help it fulfil those responsibilities.

A4.2.2 Organisation
In view of the importance and complexity of financial management in the school, the governing body has established a Finance Committee to enable due consideration to be given to all financial matters.

The governing body has delegated a number of its powers to the Finance Committee (details of roles and responsibilities are set out later in this policy document).

The Finance Committee members are:

        Chair   *name*
        Vice Chair   *name*
        Member 1   *name*
        Member 2   *name*
        Member 3   *name*

The Chair and Vice Chair of the Finance Committee are elected by the full Governing Body in September each year.

The Finance Committee plans to meet five times each year:

        April
        (to agree the budget for the new financial year and to agree the finance plan)

        July
        (to consider the first budget monitoring report for the year)

        October
        (to consider the second budget monitoring report of the year and to update the school's finance plan in light of the September number on roll)

        December
        (to consider the third budget monitoring report for the year)

        February
        (to consider the final budget monitoring report for the year and a revised finance plan)

The Finance Committee will report, and make recommendations, to the full governing body. Minutes of each Finance Committee meeting will be presented to the next meeting of the full governing body.

Finance Committee members will be required to maintain strict confidentiality with respect to payroll and other sensitive information presented to them.

A4.2.3 <u>Roles and Responsibilities</u>
The governing body recognises the importance of governors, Finance Committee members, the headteacher and staff being clear about their respective roles and responsibilities with regard to the financial management of the school. This section sets out those roles and responsibilities.

A4.2.3.1 The **governing body** will:

agree, and record in writing, the roles and responsibilities of the Finance Committee and headteacher

review those roles and responsibilities on an annual basis

elect the Finance Committee members each year

approve the school's budget each year, ensuring that a copy is attached to the minutes of the meeting

submit the approved budget to the Local Authority (LA) within the specified timescale

approve the school's original and revised finance plans each year

take appropriate steps to ensure the school's budget does not overspend

contact the LA and seek approval to overspend where this seems unavoidable

authorise the school's applications for loans from the County Council

satisfy itself that the Finance Committee and headteacher are fulfilling their responsibilities as set out in this policy document

review detailed budget monitoring reports each term, ensuring that copies are attached to the minutes

record in writing the transaction/process authorisation limits, etc, relating to the school's financial system for relevant members of staff (see Appendix A)

agree the school's virement policy (see Appendix C)

The policy should clearly state what financial levels have been delegated to individuals:

> E.g. budget holders for procuring goods/services; placing orders/goods receipting etc and virements.

establish the school's charging policy and review on an annual basis

ensure that the school fund is audited each year

ensure that a signed statement confirming that the school fund has been audited is issued to the County Council within its specified timescale

review the financial training needs of governors, the headteacher and staff on annual basis and fund training needs, as appropriate. A programme of free training is available from the Local Authority

ensure that the school's Register of Business Interests and Conflict of Interests is kept up-to-date

ensure that the school complies with the LA's guidance relating to Extended Schools and, in particular, that it does not subsidise extended school activities from the school's main budget share. Further information can be found on GEORGE (type "extended schools" in the search box)

ensure that a Statement of Internal Control is completed and signed each year (see guidance on the SFVS website www.education.gov.uk/schools/

review this policy document on an annual basis

A4.2.3.2 The **Finance Committee** will:

familiarise themselves with this policy document and their roles and responsibilities

ensure that the school complies with the LA's Scheme for Financing Schools, as approved by the Secretary of State

familiarise themselves with the way in which schools in Lincolnshire are funded

contact the LA for advice in relation to leasing arrangements, as appropriate (Director of Resources Treasury Office)

produce a timetable of meetings at the start of the year outlining their key purpose

consider the draft annual budget papers prepared by the headteacher

consider the draft medium term finance plan prepared by the headteacher

consider budget monitoring reports produced by the headteacher throughout the year

monitor the financial performance of catering and other functions (where applicable) throughout the year (some trading activities within school should not be subsidised by budget share)

ensure that the school obtains value for money (refer to Finance Handbook for more information)

ensure that the school's Other Government Grants allocations are fully utilised

use management information, particularly that supplied by the County Council, to challenge the way in which the school uses its financial resources. The Consistent Financial Reporting website can also be used to assist with comparisons (refer to Finance Handbook for more information)

ensure that the school complies with the County Council's financial regulations (available at www.lincolnshire.gov.uk, and follow menu path Home>Interested in Local Democracy>How the Council Works>Finances>Financial Controls>Financial Regulations & Procedures.

ensure that the school does not overdraw its bank account (where applicable)

ensure that the school produces a Best Value statement and adheres to it (refer to Finance Handbook for more information)

report to the full governing body

ensure that audit recommendations are implemented within a reasonable timescale

ensure that the school has a list of certifying officers for the purpose of signing cheques, certifying employee claims etc, and review this on an annual basis

ensure that assets with a value up to £20,000 are disposed of in accordance with the guidance set out in Section E of the Finance Handbook

A42.3.3 The **headteacher** will:

familiarise him/herself with this policy document and his/her role and responsibilities

draft budget papers

draft original and revised finance plans

ensure that School Development Plan priorities are properly costed and linked to the school's budget and finance plan

monitor the budget on a monthly basis

oversee the day-to-day running of the school's financial administration and ensure that the County Council's timetable is adhered to (refer to Finance Handbook for more information)

ensure that proper checks and controls are in place to cover day-to-day activities. (Advice on internal checks and controls should be sought from the Council's Corporate Audit and Risk Management Team)

authorise transactions/processes within the school's financial system up to limits agreed by the governing body. This could include the release of purchase orders, etc. (see Appendix A)

act as an authorised signatory for the purposes of signing cheques, certifying employee claims, etc

review reconciliations and returns on a regular basis and initial documents as evidence that such checks have been carried out

monitor that the payroll report is run on a monthly basis, checks have been undertaken to ensure the data is correct, and initial documents as evidence that monitoring has taken place

ensure that the school fund records are kept up-to-date

ensure that the school fund's annual accounts are prepared, audited, approved by the full governing body and submitted to the LA in the timescale specified

agree virements up to his/her authorised limit (see Appendix C)

ensure VAT is correctly accounted for

ensure CIS is correctly accounted for

ensure an inventory is maintained

ensure that any budgets that are delegated to senior staff or departments operate within a similar control regime, i.e., with regard to budget monitoring and reporting etc.

ensure that assets with a value up to £20,000 are disposed of in accordance with the guidance set out in Section E of the Finance

Handbook

A4.2.3.4 The **secretary / bursar** will:

maintain the accounting records using the school's financial package.

carry out transactions/processes within the school's financial system up to limits agreed by the governing body (see Appendix A)

ensure that the LA's timetable for completion of bank, imprest and other reconciliations is adhered to

submit income and expenditure statements, VAT returns, etc to the LA within the specified timescales (Prime Account Schools only)

contact the school's nominated Finance Technician in the Schools' Finance Team with concerns or queries regarding financial administration

ensure that purchase orders are raised prior to ordering goods/services, wherever possible, to aid effective budget monitoring and management – see finance handbook for possible exemptions

ensure that payments are made to suppliers within LCC's payment policy, i.e. 28 days of the date of the invoice

ensure that, where appropriate, claims for sickness absence scheme are made promptly and no later than 1 month after the relevant period

ensure that the payroll print is run on a monthly basis, as close to 23rd of the month as possible, and that checks are undertaken to ensure the data is correct

A4.2.4 <u>Authorisation Limits for Purchase Orders</u> (see Appendix A)

Administrator   £……………………   (default £1,000)

Headteacher   £……………………   (default £500,000)

A4.2.5 <u>FB60 SAP Schools only</u> (see Appendix B)
This section should be included if the school has adopted the FB60 method of processing payments up to £500 gross without purchase orders/goods receipts.

The governing body has agreed that payments up to the value of £500 gross may be processed on SAP using transaction FB60, without the need for a purchase order/goods receipt.

A4.2.6 <u>Virement Limits</u> (see Appendix C)

Virements of £…….. or more should be approved by resolution of the full

governing body.

The following virement limits have been agreed:

Finance Committee   £…………………..

Headteacher   £…………………..

Administrator   £…………………..

A4.2.7 <u>Purchase Card Limits</u>
This section should be included if the school has joined the Purchasing Card scheme. Each member of staff should be listed with their Single Transaction Limit and Monthly Credit Limit. The limits are:

Transaction Limit	Designation
Up to £500	Budget Operator
Up to £1,000	Budget Holder
Up to £2,000	Headteacher/Budget Manager

Monthly Credit Limit	Designation
Up to £2,000	Budget Operator
Up to £4,000	Budget Holder
Up to £10,000	Headteacher/Budget Manager

Name	Single Transaction Limit	Monthly Credit Limit
……………………………..	£…………………..	£………………
……………………………..	£…………………..	£………………

A4.2.8 <u>Credit Cards</u> (Prime and Bank Account Schools only)
This section should be included if the school is prime or bank account and holds a credit card. Each member of staff should be listed with their credit limit.

Name	Credit Limit
…………………………….	£……………………………….

Further guidance is available in Section F of the Finance Handbook.

A4.2.9 <u>Training</u>
The governing body recognises the importance of financial training for governors and staff in helping them to fulfil their responsibilities in relation to the financial management of the school.

The training needs of all governors and staff will be reviewed each year. Appropriate budgetary provision will be made, where necessary, and governors and staff will be actively encouraged to undertake that training.

A programme of free training is available through the Local Authority.

A4.2.10 <u>Budget setting</u>
The governing body recognises the importance of setting a detailed budget at the start of the year.

The headteacher will draft a detailed budget for each line of income and

expenditure. It is recommended that the budget is re-evaluated each year (as opposed to, say, incremental budgeting) for the Finance Committee's consideration.

The headteacher will include options for increased spending, as set out in the School's Development Plan, and options for cost-cutting measures, where appropriate.

A4.2.11 Budget monitoring

The governing body recognises the importance of regular budget monitoring in helping to detect accounting errors and identify, as early as possible, potential under and overspendings.

The headteacher will monitor the budget on a monthly basis by reviewing reports from the school's financial system for:

> errors
> miscodings
> large or unusual items
> potential underspendings or overspendings against budget

and act promptly, where appropriate. Recommended reports can be found in the Finance Handbook and SAP Blue Book.

A4.2.12 Financial administration

The governing body recognises the importance of proper financial administration to safeguard against inaccuracies and out of date information being used to make erroneous financial decisions in the school.

The headteacher will monitor the financial administration functions carried out by the secretary / bursar, ensuring that:

accounting systems are kept up-to-date

bank reconciliations, imprest claims, etc are completed in accordance with the LA's published timetable

appropriate action is taken where the LA advises the school that its day-to-day administration is not up-to-date

A4.2.13 Reporting

The governing body recognises the importance of receiving detailed, accurate and up-to-date financial information to enable it to oversee and control the financial position of the school.

The headteacher will prepare budget-monitoring reports for consideration by the Finance Committee.

The reports will include for each line of income and expenditure (including Other Government Grants):

the original budget,
changes to the budget,
current budget,
expenditure and commitments to date,
expenditure and commitments to date expressed as a percentage of the current budget
an outturn projection
a variance between outturn and current budget
an explanation for all material variances
details of proposed virements
details of proposals for additional spending or cost-cutting measures

In addition to the reports in the school's financial system, the Local Authority issues spreadsheet and word-processing documents to schools on an annual basis to provide a framework for the preparation of finance plans and budget monitoring reports to governors. Further guidance can be found on George at the following path:

Finance Plans - George Intranet

A4.2.14 Financial planning
The governing body recognises the importance of financial planning beyond the current year.

The headteacher will prepare a financial plan covering the next three to four years.

The plan will show the projected numbers on roll and the impact this has on the school's budget share, expenditure and carry forward.

The level of detail shown in the plan will include, as a minimum, the information set out in the County Council's financial planning spreadsheet, which is available to schools each year, free of charge.

The plan will include contingency plans, setting out the school's proposals for dealing with variations including, in particular, changes in the projected number on roll.

The governing body will consider the impact that the medium term finance plan may have upon staffing levels and develop outline plans and strategies for avoiding redundancy costs for future years.

A4.2.15 Cash flow management (for schools with local bank accounts only)
The governing body recognises the importance of cash flow management in helping the school to avoid overdrawing its bank account.

The headteacher will produce a cash flow report at the beginning of the financial year and monitor and update it on a regular basis.

The governing body will notify the County Council of its decision to withdraw from the bank account scheme where it becomes clear that, due to financial pressures, the school is no longer able to keep the bank account in credit.

The governing body of non-prime account schools will review, on an annual basis, the advantages and disadvantages of holding a bank account

A4.2.16 <u>Audit</u>

The governing body recognises the importance of the County Council's audit regime in assessing the adequacy of the school's financial controls.

The governing body and headteacher will ensure that auditors are given access to staff, all relevant records and property, as the auditors consider necessary.

The headteacher will ensure that audit recommendations are implemented as soon as possible.

The headteacher will familiarise him/herself with the Financial Procedures and Finance Handbook, which give guidance on best practice, internal controls and statutory requirements.

A4.2.17 <u>Annual timetable</u>

The governing body recognises the importance of planning its financial management work throughout the year.

The headteacher will draw up an annual timetable of key events and will submit this annually to the full governing body's last meeting in each financial year.

A4.2.18 <u>Review</u>

The governing body recognises the importance of keeping its Finance Policy up-to-date and will review the policy on an annual basis.

Authorisation Limits

The authorisation limits relate to processing and release of purchase orders and invoices. The Finance Policy should clearly state what authorisation levels have been delegated to individuals to process or release purchase orders or invoices.

On SAP, the default purchase order release limit for administrators is £1,000. It is possible for this to be increased at the discretion of the Governing Body.   For headteachers the default limit is £500,000.

FB60 (SAP Schools only)

SAP transaction FB60 can be used to pay invoices without the purchase order/goods receipt process. The limit for such payments is £500 gross. The Finance Policy must include authorisation for the administrator to adopt this process.

This process allows administrators to process payments up to the value of £500 without authorisation by the Headteacher. It is therefore important that the Headteacher receives monthly detailed monitoring reports (SAP transaction KOB1).

Virement policy

Virements are in year changes between budgets, e.g, on SAP £5,000 is moved from contingency to teaching staff.

The Schools virement policy forms part of their Finance Policy. The virement policy should clearly state what financial levels have been delegated to individuals to vire the budget from one budget heading/cost element to another. The virement policy has a similar principle to budget holders for procuring goods/services; placing orders/goods receipting etc. The recommended limit for delegating responsibility for virements to the headteacher is £5,000, although secondary schools may wish to increase this limit. Schools may also choose to allocate virement levels to the Finance Committee and the Administrator.

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SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

What is the SFVS?
Schools manage many billions of pounds of public money each year. Effective financial management ensures this money is spent wisely and properly, and allows schools to optimise their resources to provide high-quality teaching and learning and so raise standards and attainment for all their pupils. The SFVS replaces the Financial Management Standard in Schools (FMSiS) and has been designed in conjunction with schools to assist them in managing their finances and to give assurance that they have secure financial management in place.

Who is the SFVS for?
The standard is a requirement for local authority maintained schools. Other schools are welcome to use any of the material associated with the standard, if they would find it useful.   **Governing bodies** have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

What do schools need to do?
- The standard consists of 23 questions which governing bodies should formally discuss annually with the head teacher and senior staff.
- The questions which form the standard are in sections A to D. Each question requires an answer of Yes, In Part, or No.
  - If the answer is Yes, the comments column can be used to indicate the main evidence on which the governing body based its answer.
  - If the answer is No or In Part, the column should contain a very brief summary of the position and proposed remedial action.
- In Section E, governors should summarise remedial actions and the timetable for reporting back. Governors should ensure that each action has a specified deadline and an agreed owner.
- The governing body may delegate the consideration of the questions to a finance or other relevant committee, but a detailed report should be provided to the full governing body and the chair of governors must sign the completed form.
- The school must send a copy of the signed standard to their local authority's finance department.

There is no prescription of the level of evidence that the governing body should require. The important thing is that governors are confident about their responses.

What is the role of local authorities (LAs)?
Unlike FMSiS, the SVFS will not be externally assessed. LAs should use schools' SFVS returns to inform their programme of financial assessment and audit. LA and other auditors will have access to the standard, and when they conduct an audit can check whether the self-assessment is in line with their own judgement. Auditors should make the governing body and the LA aware of any major discrepancies in judgements.

Timetable – key dates
- Maintained schools which had not attained FMSiS by the end of March 2010 must complete and submit the SFVS to their local authority by 31 March 2012; and conduct an annual review thereafter.
- For all other maintained schools, the first run through is required by 31 March 2013; and an annual review thereafter.

The DfE website includes support notes for each question, which governing bodies can use if they wish. The notes provide clarification of the questions, examples of good practice and information on further support to assist schools in addressing specific issues.

SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

School name: **LA and school DfE numbers:**

LIST OF QUESTIONS	ANSWER (Yes/In Part/No)	COMMENTS, EVIDENCE AND PROPOSED ACTIONS
A: The Governing Body and School Staff		
1. In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?		
2. Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?		
3. Is there a clear definition of the relative responsibilities of the governing body and the school staff in the financial field?		
4. Does the governing body receive clear and concise monitoring reports of the school's budget position at least three times a year?		
5. Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?		
6. Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent, eg on sick leave?		
7. Does the school review its staffing structure regularly?		

SCHOOLS FINANCIAL VALUE STANDARD (SFVS)

B: Setting the Budget		
8. Is there a clear and demonstrable link between the school's budgeting and its plan for raising standards and attainment?		
9. Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?		
10. Does the school set a well-informed and balanced budget each year (with an agreed and timed plan for eliminating any deficit)?		
11. Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?		
C: Value for Money		
12. Does the school benchmark its income and expenditure annually against that of similar schools and investigate further where any category appears to be out of line?		
13. Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?		
14. Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balances at the end of each year?		
15. Does the school maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement?		

16. Does the school consider collaboration with others, eg on sharing staff or joint purchasing, where that would improve value for money?		
17. Can the school give examples of where it has improved the use of resources during the past year?		
D: Protecting Public Money		
18. Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?		
19. Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?		
20. Are all staff aware of the school's whistleblowing arrangements and to whom they should report concerns?		
21. Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?		
22. Does the school have adequate arrangements for audit of voluntary funds?		
23. Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?		

OUTCOME OF SELF-ASSESSMENT

E: Summary of agreed remedial action and timetable for reporting back:

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[signed]   **Chair of Governors**
Date:

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Lincolnshire
COUNTY COUNCIL
Working for a better future

Open Report on behalf of Pete Moore, Executive Director Resources & Community Safety

Report to:	**Audit Committee**
Date:	**24 June 2013**
Subject:	**Summary of School Audit Work 2012/13**

Summary:
To inform the committee of the work we have completed in relation to schools during 2012/13.

Recommendation(s):
To consider the content of this report and identify any action the Committee requires.

Background

During 2012/13, we have continued to undertake our programme of audits at maintained schools. The audit visits provide an assessment of the school's control environment for headteachers, school governors and Children's Services.

Our audit visits are undertaken on a five-year cycle, and during 2012/13 we also completed a number of interim 'healthcheck' visits. These focus on key areas such as budget setting, budget monitoring and medium term financial planning, and allow us to confirm schools are maintaining sound financial management arrangements. We are also using these visits to ask schools to make a self-assessment of the controls within their financial processes and to follow up the implementation of previous audit recommendations.

This report summarises the outcomes of school audit visits for the Committee, along with details of investigations we have conducted in schools.

A school's headteacher, management team and governing body are responsible for applying good financial management and maintaining an effective control environment. Since delegation of budgets in 1990, the role of the local authority has been to provide support, advice, guidance, training and high level monitoring over financial management. This is supported by Internal Audit's more detailed review and assessment of school processes and controls through periodic audit visits.

At April 2012, Lincolnshire County Council maintained 308 schools. These were:

- 25 secondary schools
- 257 infant, primary and junior schools
- 5 nursery schools &
- 21 special schools

By March 2013, the numbers had reduced to 261 with further schools converting to become Academies during the year.

In total, the schools have budget shares for 2012/13 of around £281.5m. Twelve infant, primary or junior schools and seven secondary schools brought forward a deficit from 2011/12. This amounted to £1,366,593 (0.49% of total budget share), a reduction of £770,847 when compared to the figure at the end of 2010/11. This change is due to:

Primaries:
- ➢ 8 schools recovered their deficit
- ➢ 8 generated deficits within 2011/12

Secondaries:
- ➢ 2 schools converted to become academies
- ➢ 2 schools recovered deficits
- ➢ 1 school generated a deficit

The percentage of maintained schools with deficits reduced to 6% at the end of 2011/12, compared to 7% at March 2011.

Of the 208 schools, there are 10 that hold their financial information on local accounting systems and during 2012/13 we completed audit visits to 5 of these schools. These 'prime account' schools submit quarterly and year-end returns showing summary information on their income, expenditure, assets and liabilities which must be added into the authority's accounts. In previous years we have undertaken 'year-end' audits at a sample of schools to provide assurance to the external auditors that the details submitted were correct. This year we were not asked to undertake this work, however, we re-visited 2 of the previously audited schools to support them with the completion of the returns.

During 2012/13, we have completed 49 'full' audit visits to schools. Although more schools have been given limited assurance this year, we continue to find that the majority of schools visited (approximately three quarters) have full or substantial assurance. Just one school was given no assurance – we have already re-visited this school to provide support with their submission of year end information, and seen that they are actioning our recommendations. We will follow up progress again later in the year.

The breakdown of assurances is given below alongside those for 2011/12 for comparison:

School Audit Visit Assurances 2012/13

- 2%
- 6%
- 25%
- 67%

- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance

School Audit Visit Assurances 2011/12

- 4%
- 13%
- 15%
- 68%

- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance
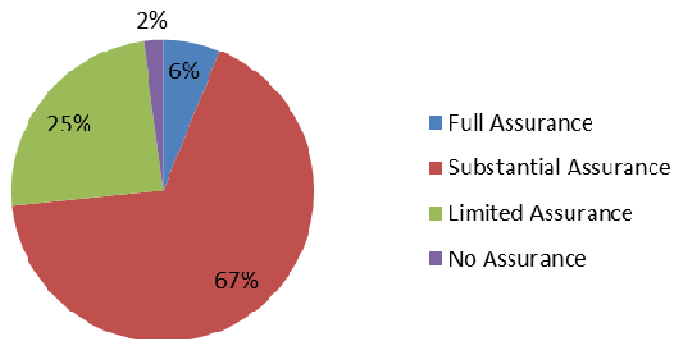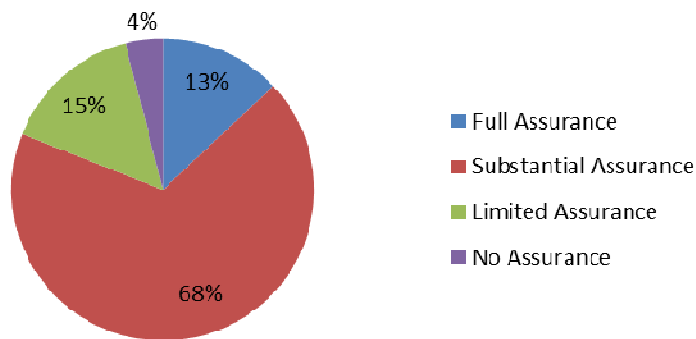
Individual assurance levels by school are shown in Appendix A.

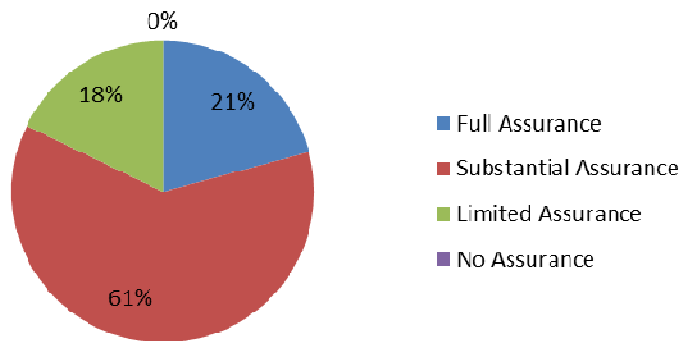In comparing the 2 charts the Committee should remember that different schools have been visited each year

In addition to the 'full' audit reviews, we have also completed 19 one-day 'healthcheck' visits that have a different level of coverage.

The results are shown below, also with the details from 2011/12 for comparison:

School 'Healthcheck' Visit Assurances 2012/13

- 0%
- 18%
- 18%
- 64%

Legend:
- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance

School 'Healthcheck' Visit Assurances 2011/12

- 0%
- 18%
- 21%
- 61%

Legend:
- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance
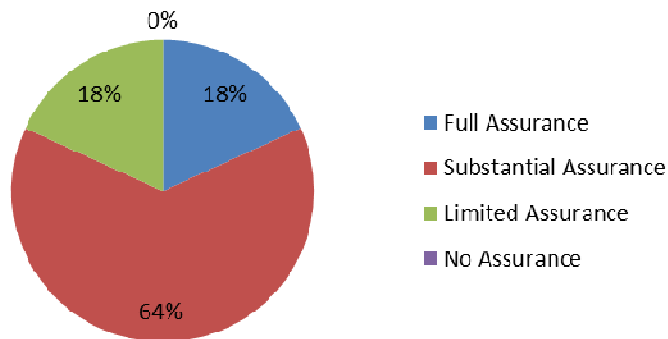
The assurance levels given this year are very similar to those for 2011/12 and reflect a similarly positive message as the 'full' audit visits.

We are currently in the process of following up management actions for schools audited in 2012/13, and also where there are outstanding items for visits in 2011/12. The school's senior management team and governing body are responsible for ensuring that audit recommendations are implemented. This is set out within the school's own Finance Policy.

Generally we have found that schools are implementing our recommendations.

Common themes identified by audits

During the course of audits and 'healthcheck' visits we identified the following common themes where processes and controls need to be strengthened:

- A school's Finance Policy should set out its financial governance arrangements. We find policies that are not up to date and that do not show details of delegation levels for committees or individuals to make spending decisions. Details of staff delegated to approve payroll claims are also often missing
- All schools we have visited now have a medium term finance plan, but we find plans that are not complete / up to date or show a deficit position for future years and the plan is not being used pro-actively to identify ways to address financial pressures
- Income collected is not always supported by adequate or complete records. In addition, where processes to collect, bank and record income do not involve more than one person, supervisory checks are not always completed
- The charging & remissions policy is not up to date or the information included is incomplete
- The register of declaration of business interests is not complete or not up to date.
- The information provided to governors for them to approve and monitor the budget is not always detailed enough to allow for informed decision-making. This is particularly the case when reporting to the full governing body.
- The school does not have an inventory or is not being kept up to date when new items are purchased

These issues are the same as our findings from work in 2011/12. We continue to work with Children's Services and Schools' Finance Team to emphasise the importance of these controls to schools through training and guidance. In addition, we plan to highlight these key themes and the controls expected through a 'top tips' article in the Schools' Bulletin in the autumn.

Future arrangements

As school funding arrangements changed in April 2013, we are no longer able to undertake a programme of 'healthcheck' visits to maintained schools. However, we are offering this service to schools for a fee and have had some interest. We will continue to actively market this to schools as we believe it provides a useful mechanism for Headteachers and Governors to gain assurance on their financial management arrangements between planned audit visits. This can be of particular benefit where there is a change in Headteacher or Finance Officer during the five year period.

In 2011, the DfE introduced the Schools Financial Value Standard (SFVS) to replace the Financial Management Standard in Schools (FMSiS). The SFVS is a self-assessment to be completed by schools and does not require any external or independent assessment. However, as all maintained schools have now submitted their first return (at 31 March 2013), we will consider how schools have assessed themselves when we complete our audits.

Academies

During 2012/13 we have been marketing our internal audit service to Academies. Whilst academies are not legally obliged to have an internal audit service, they must have arrangements in place for independent checking of financial controls, systems, transactions and risks. We are pleased to report that we are providing this service to eight Academy Trusts, supporting them in establishing effective risk, governance and internal control arrangements that protect and strengthen the academy.

Investigations 2012/13

In 2012/13, the Counter Fraud & Investigation Team was commissioned for 6 full investigations from schools. Most were grievance or conduct issues and being non fraud issues the costs of investigation were charged back to the schools or Children's Services.

Two cases did have elements of fraud, though these were relatively minor issues, compared to some high value frauds we have seen in preceding years. Both cases highlight the importance of our networking with schools to assist them to identify risks and remain vigilant:

- One case involved invoicing scams, which is an issue nationally. Companies target small businesses with false invoices and particularly favour schools. We regularly update the school bulletin with information on the ever changing identities and methods of these companies

- In the second case, a former member of staff accessed information on the school's IT network. The individual was reported to the police and cautioned for an offence under the Computer Misuse Act. The school has now tightened its IT security practices.

Lincolnshire Schools continue to have access to the LCC whistleblowing mechanism and in this financial year (i.e. since 1 April 2013) we have had 3 calls to the whistleblowing line with financial and governance concerns regarding schools. One of these has resulted in a preliminary investigation and a second is being addressed through an Internal Audit visit. The other issue was resolved.

We have also recently provided advice to a member of staff at an Academy through this mechanism. Potentially this demonstrates a need for the service in Academies and we are considering ways that it can be marketed to Academies alongside other audit services.

Conclusion

The outcomes of our school reviews continue to be positive with the majority receiving either full or substantial assurance. We receive good feedback from our audits and schools generally welcome the advice and support we provide.

Our work highlights that there are still schools where significant improvements to governance, financial management and internal control are needed. Maintaining a

programme of audits is important to provide advice and support to schools and report to management on how to improve and strengthen procedures.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Details of School Assurances

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or Lucy.Pledge@lincolnshire.gov.uk.

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Lincolnshire COUNTY COUNCIL *Working for a better future*

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources & Community Safety

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Counter Fraud Progress Report to 31 December 2013**

Summary:

This report provides an update on our fraud investigation activities and information on progress made against our counter Fraud Work Plan 2013/14.

Recommendation(s):

To note the outcomes of our counter fraud work and identify any actions it requires.

Background

This report provides an update on the progress made against the Counter Fraud Work Plan 2013/14, including our investigation activities. Details can be found in Appendix A, including:

- Key messages – proactive work and investigations
- Progress against plan
- Other matters of interest
- Counter Fraud Work Plan 2013/14

Conclusion

Delivery of the work plan for 2013/14 has slipped slightly in two areas: review of the counter fraud risk assessment and counter fraud awareness programme – both tasks have been carried forward into quarter 4 and will be delivered by the end of the financial year.

We have produced additional material for one of the ongoing Police cases and have completed three further cases since our last progress report in September 2013. We also have five ongoing cases of suspected fraud, one of which involved an attempted fraud valued at approximately £100k. It has been encouraging to note that many of the new cases were referred by managers, staff or our key partners. This illustrates the strength of the Council's counter fraud arrangements

and commitment and awareness of staff to take appropriate action where fraud is suspected.

Our work on NFI is now complete –the reported recovery figure for the Council remains the same at £15.6k – all recoveries relate to overpayments, no issues of a fraudulent nature were identified.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Progress Report

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.

Counter Fraud Progress Report

Date: January 2014

Contents

Contact Details:
Lucy Pledge CMIIA
Head of Audit & Risk Management

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☎:01522 553692   🖥 lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:

- Provide an update on our fraud investigation activities
- Report on progress against our Counter Fraud Work Plan 2013/14

Key Messages

Counter Fraud Pro-active Work

2. Since our last report to the Committee we have developed our data analytics capabilities on a joint fraud proactive / due diligence exercise on expenses and member allowances – the detailed testing arising from this work is now complete and we are currently preparing a report of our findings. We can, however, provide assurances that the outliers and potential anomalies identified through our detailed analytical work all proved to be legitimate claims. Common themes were:

- bulk submission of claims – anywhere up to a year at one time
- incorrect claim categorisation on the on-lines expenses system for staff (which distorts monitoring reports but had no monetary impact)
- need for policy updates

Key controls to check and authorise expenses were found to be generally operating well.

3. We have now incorporated the analytical scripts in our quarterly due diligence / compliance testing on expenses and claims – this has resulted in the swift identification of errors and overpayments.

4. We have also developed scripts to enhance our quarterly payroll testing – our analytical work has been extended to highlight potential fraud indicators or overpayments – anomalies, outliers and trends are now routinely examined as part of our quarterly due diligence tests.

5. There has been some slippage on our counter fraud awareness campaign - this is due to investigative demands, due diligence commitments and the need to coordinate our promotional work with the developments of our e-learning tool and website updates. Our counter fraud and whistleblowing posters and leaflets have now been finalised and we will complete our first round of awareness activity by the end of the financial year.

6. Our work on the National Fraud Initiative is now complete and our final recovery figure stands at £15.6k with no issues of a fraudulent nature. The last remaining area which we need to upload to the NFI system relates to Blue Badges – our Business Support Team have validated the matches in this area and the results are to be posted shortly.

7. Due to investigation commitments in quarter 3 we have carried forward our work on the Council's counter fraud risk assessment to quarter 4. As highlighted in previous Committee reports, we already have a good understanding of where our key fraud risks lie – we will be validating this intelligence and identifying emerging risks with directorates over the coming month. This will feed into our draft 2014/15 counter fraud proactive plan which we shall present to the Committee in March.

Investigations

8. We currently have 2 fraud investigations with the Police:

   - 1 x contractor fraud (pending court trial scheduled for 10 February 2014)

   During November / December 2013 we provided additional information to the Police to support the prosecution. Council staff will be providing evidence during the trial around the contract irregularities. This case includes a significant fraud against the service users as well as fraud against the Council.

   - 1 x mandate fraud (prosecution file with the Crown Prosecution Service)

   No further update available.

9. We have investigated three cases since we last reported to the Committee – these cases are now closed:

   - Allegations of corruption against a School Business Manager

   We found insufficient evidence to support the allegations – we did identify policy issues and compliance concerns and these have been reported to the Council's Head of Finance (Children's Services) and the School's Chair of Governors, for action.

   - Financial mismanagement of a School Fund

   We carried out preliminary enquiries and instigated a full internal audit of the accounting records. We found evidence of poor accounting practice and inadequate audit trails but no evidence of fraud – we were eventually able to trace all income and validate the expenditure. We issued an audit report of our findings and agreed an action plan with the school to improve controls and procedures.

   - Theft of income from a directorate office (£150)

   We carried out joint enquiries with the Police following reports of cash thefts of income collected by staff and held within a locked drawer. Following our

interviews with staff and given the weak access controls and poor security arrangements the Police decided it was not in the public interest to pursue.

Managers have raised staff awareness and security arrangements have been strengthened.

10. We are currently investigating five cases of suspected fraud:

- 3 direct payment cases – one involving payments made to a deceased service user and two cases involving potential misuse of funds. These were referred by practitioners within social care teams.

- Recruitment fraud plus other potential financial irregularities – school environment. The potential fraud matters were identified during our investigation into other non-related matters (whistleblowing case).

- Contract fraud – potential concerns raised by our partners surrounding irregularities following a tender exercise. We evaluated the tender submission and subsequent developments around a particular aspect of the tender. The contractor's representative provided suspected false documentation, we believe, in an attempt to increase the value of the contract.

  The matter was referred to the managing director of the business – the individual concerned was immediately removed from the contract and assurances provided that the company will stand by the original contract offer. The contractor is carrying out a full investigation and will provide feedback on the outcome and detail on further action – value of attempted fraud approximately £100k.

  This is illustrative of the strong counter fraud environment and the awareness and commitment of staff to take appropriate action where fraud is suspected.

Progress Against Plan

11. The Counter Fraud Work Plan at Appendix A provides information on progress against plan – much of our work is on-going and we shall be reporting our outcomes in the Counter Fraud Annual Report.

Other Matters of Interest

The Whistleblowing Commission – Report on the effectiveness of existing arrangements for workplace whistleblowing in the UK – November 2013

12. There is now widespread recognition in government and public, private and voluntary organisations of the important role that whistleblowing plays in achieving effective governance and an open culture.   A culture where people are

encouraged to speak out, confident that they can do so without adverse repercussions, confident that they will be listened to, and confident that appropriate action will be taken.

13. It is now 20 years since the whistleblowing charity – Pubic Concern at Work was established and 15 years since the Public Interest Disclosure Act, designed to protect whistleblowers, was put in place. The Whistleblowing Commission (set up in February 2013) has examined the effectiveness of existing arrangements for workplace whistleblowing in the UK and make recommendations for change. The Government's consultation – Whistleblowing framework: call for evidence is currently being evaluated. They have agreed to take into account the Whistleblowing Commission findings in its National Action Plan for Open Government.

Possible considerations for the Governance & Audit Committee:

▪ Include review of the effectiveness of the Councils whistleblowing arrangements as part of its 2014/15 work plan.

The full report can be found at: www.pcaw.org.uk

National Fraud Authority – Closure

14. In December the Home Office announced the closure of the National Fraud Authority from 31 March 2014. The Authority's responsibilities are to be realigned to reflect the creation of the National Crime Agency which became operational in October 2013. This decision was made to concentrate all effort into law enforcement bodies and improve the fraud reporting and analysis service.

15. The National Crime Agency works in partnership with law enforcement bodies, regulators, private industry, the voluntary sector and public sector bodies, including Local and National Government. It tackles a wide range of serious and organised crime, including fraud – the Agency's Economic Crime Command, leads on the fight against fraud.

16. The National Fraud authority's functions are to be transferred:

- Strategic development and threat analysis – National Crime Agency
- Action Fraud (the reporting & analysis centre) – City of London Police
- Fraud awareness – Home Office
- Counter Fraud Checking Service – Cabinet Office

£16.6m new funding to tackle non-benefit fraud

17. It was announced in the Autumn Statement that new funding would be made available to councils to tackle non-benefit fraud. We understand that ministers have yet to decide how this two year funding will be distributed – if shared equally across all councils it will mean an additional £25k per year.

Counter Fraud Work Plan 2013/14 **Appendix A**

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Culture					
Engagement and training	Briefings sessions / training for members, management, staff, key partners		October 2013	March 2014	Awareness sessions ongoing with social workers
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		November 2013	March 2013	Ongoing
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		September 2014	January 2014	Slipped due to investigation demand – new target for delivery
Sub Total		60			
Deterrence					
Publicity on counter fraud activities	Linked to awareness campaign – programme of internal/external communications covering: ■ Counter fraud team ■ Proactive work, including NFI ■ Investigation outcomes / prosecutions		April 2013	March 2014	Ongoing .

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Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	▪ Fraud prevention measures ▪ Counter fraud responsibilities				
Sub Total		**20**			
Prevention					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2013	March 2014	Ongoing
Data analytics	Further development / use of data analytics: ▪ Creditors / Procurement ▪ Payroll ▪ Expenses, including members allowances		April 2013 October 2014	June 2013 January 2014	Complete Ongoing – quarterly testing Draft Report
Advice	Enhancing fraud controls and process – new and existing systems				Ongoing
Sub Total		**40**			
Detection					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment	Revised target	January 2014	February 2014	To inform 2014/15 proactive work plan

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Proactive fraud exercises	Expenses Direct Payments		April 2013	March 2014	Complete 3 investigations ongoing
National Fraud Initiative 2012/13	Review and investigation of Council matches / responding to data requests from other public sector bodies		April 2013	March 2014	Complete – Blue Badge results to be uploaded. £15.6k recovery
Sub Total		**160**			
Investigation					
Fraud Investigation	In line with investigation manual and recommended best practice		April 2013	March 2014	On-going
Sub Total		**300**			
Sanctions and Redress					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2013	March 2014	On-going
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2013	March 2014	On-going
Sub Total		**5**			
Contingency					
Advice & Liaison			April 2013	March 2014	On-going
Sub Total		**65**			
Grand Total		**650**			

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources & Community Safety

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Updated Anti-Money Laundering Policy**

Summary:

To cover the key aspects of this policy revision, explain the legal obligations on the Council and clarify the arrangements for raising awareness.

Recommendation(s):

To consider the content of the policy revision, provide feedback and approval for publication.

Background

Under the Proceeds of Crime Act 2002 and the Terrorism Act 2000, the Council, its employees and key partners have certain obligations to identify and report suspected money laundering and to take action as directed by the National Crime Agency.

Every council is required to have a Money Laundering Reporting Officer – the Head of Audit fulfils that role for Lincolnshire County Council. This policy aims to provide employees with an overview of the reporting expectations, their responsibilities under the law and the potential criminal consequences for breaches of the legislation.

The Council has strong counter fraud and whistleblowing arrangements and the risk to the Council of contravening the anti-money laundering legislation is therefore considered to be low. However there is action we can take to ensure there is a good awareness of the signs of potential money laundering activity, that the reporting mechanisms are fully understood and we are doing all we can to reduce the risk within the Council.

Conclusion

This policy revision does not contain any new legislation and replaces the anti-money laundering statement and procedures, 2007 – the revised policy aims to:

- clarify the legislative requirements and the responsibilities of the council, its key partners and employees
- explain the relevant criminal offences
- define the reporting arrangements (internal and external) and expected response
- provide a list of possible indicators of money laundering activity

We intend to promote this policy along with our counter fraud and whistleblowing awareness programme and supplement this with targeted training for those staff groups most likely to encounter money laundering.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Anti-Money Laundering Policy

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.

ANTI MONEY LAUNDERING POLICY STATEMENT AND PROCEDURES

CONTROL

Owner / Policy Lead Officer: Lucy Pledge

Location: Orchard House, County Offices, Lincoln

Consultation: Audit Committee / Executive / County Council

Date: January 2014

Review Arrangements: Every three years (Owner/Policy Lead Officer and Audit Committee)

INTRODUCTION

Lincolnshire County Council is committed to prevent the Council and its employees being exposed to money laundering, to identify the risks where it may occur, and to comply with legal and regulatory requirements, especially with regard to reporting suspected cases.

Key points:

- The Council is committed to the prevention, detection and reporting of money laundering

- All employees should be vigilant for signs of money laundering

- An employee who suspects money laundering activity should report this promptly to the Money Laundering Reporting Officer

- The Council will not accept payments in cash that exceed £1,000

The Proceeds of Crime Act 2002 and the Terrorism Act 2000 place obligations on the Council and employees with regard to suspected money laundering.

What is money laundering?

Money laundering is the process where criminals attempt to hide and change the true identity of the proceeds of their crime so that they appear legitimate. The various stages are termed placement, layering and integration:

- placement – 'dirty money' is placed directly into the financial system

- layering – the proceeds are moved through a series of financial transactions, making it harder to establish their origin

- integration – the money launderer creates a legitimate explanation for the source of the funds allowing them to be retained, invested into the legitimate economy or to acquire assets

There are 3 principal money laundering offences under the Proceeds of Crime Act 2002. An offence is committed if a person knows or suspects property is, or was purchased with, the proceeds of any criminal act and:

- conceals, disguises, converts or transfers it or removes it from the UK (Section 327)

- enters into or becomes involved in an arrangement which he/she knows or suspects will facilitate another person to acquire, retain, use or control it (Section 328)

- acquires, uses or possesses it (Section 329)

The legislation states that property includes:

- money

- all real or moveable property, including inherited assets

- intangible property (e.g. leases, mortgages, rights)

- property obtained by a person who has an interest in it

- things in action and other intangible property (e.g. cheques)

Criminal conduct is any act amounting to a criminal offence in the UK[1] and includes for example tax evasion, fraudulent expenses and benefits claims.

The money laundering offences are aimed at criminals and their associates but any person can be caught by the offences if they suspect money laundering and either become involved with it or do nothing about it. It is not necessary to have benefitted in any way to be guilty of the offences.

The key requirement for Council employees and partners is to promptly report (Section 337 Disclosure) any suspected money laundering activity to the Council's Money Laundering Reporting Officer.

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[1] Therefore includes an act committed outside the UK but which, if it took place in the UK would be a criminal offence

While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities; serious criminal sanctions can be imposed for breaches of the legislation.

SCOPE

This Policy applies to all employees of the Council and its partners. It sets out the required procedures which should be followed for reporting suspicions of money laundering activity to enable the Council to comply with its legal obligations.

This Policy is consistent with all other Council policies including the Counter Fraud Policy and the Whistleblowing Policy.

Failure by a Council employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them.

THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

The nominated Disclosure Officer (MLRO) for the Council is the Head of Audit & Risk Management:

> Lucy Pledge
> Head of Audit & Risk Management
> Resources Directorate
> Lincolnshire County Council
> County Offices, Newland,
> Lincoln. LN1 1YG
> Telephone: 01522 553692
> E-mail: lucy.pledge@lincolnshire.gov.uk

The authorised Deputy is:

> Donald Adams
> Principal Investigator
> Address as above
> Telephone 01522 553689
> E-mail: donald.adams@lincolnshire.gov.uk

REPORTING PROCEDURES

Protected Disclosure

Section 337 of the Proceeds of Crime Act 2000 protects employees from liability under any other legislation (e.g. Data Protection Act) when they report suspected money laundering. The conditions are that the information:

- came to his/her notice in the course of their trade, profession, business or employment and

- causes him/her to know or suspect or gives reasonable ground to know or suspect that another person is engaged in money laundering and

- the disclosure is made to a constable, a customs officer or the nominated MLRO

Any employee who knows or has reasonable grounds to suspect that any person is engaged in money laundering activity should report their suspicion immediately to the Council's MLRO or Deputy.

The only exception to this rule is if the employee is a professional legal adviser and the information has come to their attention in privileged circumstances – in these cases the employee should report the matter immediately to the Head of Legal Services. The Head of Legal Services will promptly evaluate any disclosure to determine if it should be reported to the MLRO.

The employee must follow any subsequent instructions made by the Council's MLRO. No further enquiries into the matter or any further steps in any related transaction may be taken without authorisation from the MLRO.

The MLRO must promptly make[2] a Suspicious Activity Report (SAR) to the National Crime Agency (NCA) on line at www.nationalcrimeagency.gov.uk

Proposed transactions

When a proposed act or transaction is a suspected money laundering offence anyone knowing or suspecting money laundering who is then involved in the act or transaction is guilty of the same criminal offence unless:

- he / she has made a Section 337 Disclosure and

- appropriate consent has been given

After the MLRO has made the disclosure to National Crime Agency, they will receive (within 7 days) notification of whether consent is given for the act or transaction to proceed. If, after 7 days, the National Crime Agency does not contact the MLRO, the consent is deemed to be given.

All instructions from the National Crime Agency (or relevant law enforcement agency) issued at any time following a Section 337 Disclosure **must be followed**.

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[2] It is a Criminal Offence (Section 332) for the MLRO to fail to disclose to NCA unless he / she has a reasonable excuse for not doing so. A preliminary evaluation which establishes that money laundering is not or has not taken place is a reasonable excuse.

Prejudicing an Investigation

A Section 337 money laundering disclosure is strictly confidential. There must be no disclosure or other indication to the person suspected of money laundering. The matter must not be discussed with anyone else or any action taken that may jeopardise the confidentiality around the report to the Council's MLRO. Notes must not be made on client files / records that a disclosure has been made.

Any documentation or evidence associated with the disclosure should be retained in its original form for any subsequent money laundering investigation.

Failure to comply with these requirements could amount to the criminal offence of Prejudicing an Investigation. Section 342 of the Proceeds of Crime Act states that a person may be guilty of this offence if they:

- make a disclosure (to any other person) likely to prejudice the investigation

- falsify, conceal, destroy or otherwise dispose of or permit the falsification, concealment, destruction or disposal of documents which are relevant to the investigation

GENERAL PROCEDURES

Cash payments

No payment to the Council will be accepted in cash if it exceeds £1,000. Cash is defined as including notes, coins or travellers' cheques in any currency.

Identification of new clients

Employees should be wary of situations where funds flow through the Council from sources with which it is not familiar. Where the Council is forming a new business relationship and/or is considering undertaking a significant one off transaction with a new client, evidence of the identity of the prospective client should be obtained before proceeding.

It is good practice to have either:

- one government document which verifies either name and address or name and date of birth or

- a government document which verifies their full name and another supporting document which verifies their name and either their date of birth or address

Where it is not possible to obtain such documents consider the reliability of other sources and the risks associated with the client. In these circumstances, advice may be sought from the MLRO or Deputy.

Where the new client is not present or a third party is acting in their absence, additional evidence of identity should be sought to verify the client's credentials.

Possible signs of Money Laundering

It is not possible to give a prescriptive guide to spot money laundering but the following signs may be helpful:

- concerns about honesty, integrity, identity or location of the client

- secretive behaviour e.g. unexplained refusal to provide information

- attempting payment of a substantial sum of cash

- transaction which appears uneconomic, inefficient or irrational

- illogical third party transactions – unnecessary routing of funds from third parties or through third party accounts

- illogical involvement of unconnected third party

- funds received prior to completion of the transaction from an unexpected source

- instructions for settlement payments to an unexpected source

- significant overpayments and subsequent request for refund

- refunds following the cancellation or reversal of an earlier transaction

- no obvious legitimate source of funds

- unusual request for client account details

- poor business records or internal accounting controls

GUIDANCE AND TRAINING

In support of the policy and procedure, the Council aims to:

- make all employees aware of the requirements and obligations placed on the Council and on themselves as individuals by the anti-money laundering legislation

- deliver training to those most likely to encounter money laundering

FURTHER INFORMATION

Further information can be obtained from the MLRO and the following sources:

- www.nationalcrimeagency.gov.uk

- "Combating Financial Crime" – CIPFA revised publication 2009

- www.legislation.gov.uk (Home Office) – Proceeds of Crime Act 2002 / Terrorism Act 2000 / Money Laundering Regulations 2007

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Regulatory and Other Committee

Open Report on behalf of David O'Connor, Executive Director Performance and Governance	

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Update on Annual Governance Statement 2013**

Summary:

This Report provides the Committee with information on the annual review of the Local Code of Governance and progress on agreed actions contained in the Council's Annual Governance Statement 2013.

Recommendation(s):

Consider and comment on the effectiveness of the Councils Local Code of Goverance

Review the progress made on the Annual Governance Statement and consider any actions the Committee may wish to take.

Background

1.1 At the 23rd September 2013 the Audit Committee approved the Council's Annual Governance Statement 2013. The following *Governance Issues* (what's important to how we operate) were identified:-

- Maintaining Good Governance
- Workforce and Management Capacity
- Public Health
- Adult Care – change of pace and scale
- Adult Care – safeguarding vulnerable adults
- Safeguarding Children
- Education and Skills
- Maintaining Financial Resilience
- Procurement and Contract Management
- Becoming a Commissioning Organisation
- Maintaining ICT Resilience

1.2 Attached in Appendix A is the Annual Governance Statement action plan, which shows the current status on progress for each of the above areas.

What do we mean by Governance?

2.1 Governance is about how local authorities ensure that they are:

'doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'

2.2 It encompasses the systems, processes and culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

What is the Governance Framework?

3.1 Each local authority operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. It ensures that the Council's business is conducted in a legal and proper way – ensuring that public money is properly used - economically, efficiently and effectively.

3.2 In December 2012, CIPFA[1] issued a revised 'Delivering Good Governance in a Local Government Framework' with associated guidance. These set out best practice to be followed for developing and maintaining a local code of governance – including the publication of an annual governance statement.

3.3 It defines six core principals by which Councils can test out their governance arrangements. These are:

- Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust accountability

3.4 CIPFA has not changed the Framework from the original 2006 publication - however the guidance has been updated to reflect:

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[1] The Chartered Institute of Public Finance and Accountancy

- Changes to structures resulting from the way local government operates and undertake service provision – partnerships, collaboration, commissioning, shared services including shared management teams and chief executives
- New roles and greater flexibility through the Localism Act and other legalisation
- Increasing transparency of data
- Responsibilities for public health
- Governance requirements to support the role of the Chief Financial Officer and Head of Internal Audit

3.5　It gives greater flexibility in demonstrating compliance but gives greater emphasis on:

- Scrutiny
- Fraud
- Maintaining standards
- Governance of risk

3.6　The Council's Local Code of Governance has been updated in light of this guidance and sets out how the Council has applied the six core principals (see attached Appendix B).

3.7　The Audit Committee plays a key component of the Council's governance framework it oversees the Local Code of Governance and the development of the Annual Governance Statement. As such the Committee is requested to review the Council's local code against the good governance framework and guidance – these can be found in Appendix C. Key questions to consider are:

1. Does it represent how the Council operates?
2. Does it meet the principals of good governance?
3. Are there any gaps?
4. Is it easy to read and understand?
5. Do the Council's assurance arrangements adequately address the risks and priorities of the Council? ie provide leadership with insight and comfort that the management arrangements put in place to successfully deliver Council policies and priorities are operating effectively.

Conclusion

4.1.1　The Annual Governance Statement is a vital component of the Council's governance framework. It sets out areas where we have identified where further work is required to improve systems or monitor how the key risks facing the Council are being managed.

4.1.2　The action plan shows that good progress has been made on the areas identified.

4.2   The local code of governance shows that the Council meets the six principals of good governance which underpins the development of the Annual Governance Statement.

Consultation

 a) Policy Proofing Actions Required

 Not applicable

Appendices

These are listed below and attached at the back of the report	
Appendix A	Annual Governance statement 2013 - Action Plan
Appendix B	Local Code of Governance - 2013
Appendix C	CIPFA Good Governance Guidance for Local Authorities - 2012 Edition (please note: this appendix is available electronically at www.lincolnshire.gov.uk/committeerecords)

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Annual Governance Statement for Lincolnshire County Council 2013 – Status Update January 2014

1 Governance Issues

The following areas have been identified where further work is required to improve systems or monitor how the key risks facing the Council are being managed:

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
Maintaining Good Governance			
The May 2013 county council election has returned a council with very different makeup to recent years with just over half new to the county council (many with no experience as a councillor) and a change of more than half in the membership of the Executive. This could bring positives in terms of new insights but also has the potential for negatives as those councillors may not fully understand the council's governance arrangements. The changed political landscape will require more support from senior managers in terms of briefings etc.	David O'Connor	Extensive induction programme for new councillors after the election with good feedback but will need to continue. Most committees have additional training identified. **Status @ Sept 2013 Audit Committee** *Completed* New Executive and Management Board have spent several informal sessions together reviewing and confirming current direction. **Status @ Sept 2013 Audit Committee** *In progress as needed* Combined impact of the reducing government grant is being addressed by our budget and focus on commissioning which will result in confirmed or altered council priorities. **Status @ Sept 2013 Audit Committee** Completed - See Commissioning below	• Briefing paper presented to Management Board 4th December 2013 – agreed formal review of local standards regime and member / officer development. • Local code of governance updated and presented to Management Board 4th December 2014 – consultation to commence in February 2014 Note – New monitoring officer arrangements to be determined in light of Senior Management Review wef April 2014.

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
Many senior managers are relatively new in post following the Managing Workforce Change programme.		Senior Leadership Programme as part of Workforce and Management Capacity (below) with initial very positive feedback **Status @ Sept 2013 Audit Committee** *See below*	
Workforce and Management Capacity			
Rapidly changing environment will require a more agile workforce. Reduced workforce means we must focus on value adding activity.	David O'Connor	New People Strategy designed and approved last year with detailed implementation plan is a council priority programme **Status @ Sept 2013 Audit Committee** *Strategy 2012-2015 (currently on track)* Many Human Resources processes have been reviewed. Future Delivery of Support Services programme will deliver new Enterprise Resource Planning (ERP) tools that will make financial and people management processes more efficient. **Status @ Sept 2013 Audit Committee** *Tied in with Future Delivery of Support Services. Current ERP replacement estimated to take place 04/14 to 03/15*	To follow
Public Health			
New public health functions became the responsibility of the Council from April 2013.	Tony Hill	Implement extended induction programmes for all incoming staff. **Status @ Sept 2013 Audit Committee** *Implementation date - June 2013*	Fully implemented and on-going continuing professional development programme established.

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
Services, staff and contracts transferred from local and national NHS bodies. The transition plan has been successfully delivered but the Council must integrate these new functions at both a strategic and delivery level. The change will inevitably mean cultural change for staff and service redesign.	PHDMT	Agree 'Unwritten Ground Rules' Frameworks for the integrated team. **Status @ Sept 2013 Audit Committee** Implementation date - July 2013	Directorate UGR priorities agreed and integrated with other organisational development work like the Public Health Charter.
	Tony McGinty	Transition project close down, including staff engagement representatives. **Status @ Sept 2013 Audit Committee** *Implementation date - June 2013*	Project closed down, standard JCC arrangements in place across the integrated team.
	Isabel Perez	Develop integrated continuing professional development programme. **Status @ Sept 2013 Audit Committee** *Implementation date - June and July 2013*	Achieved. We have now an integrated continuing professional programme for the directorate which runs bimonthly and is based on identified staff development needs.
	Teresa Roche Tony McGinty	Induction programmes for new members and scrutiny committees. **Status @ Sept 2013 Audit Committee** *Implementation date - July 2013*	Building on previous members training and awareness sessions an induction session was held on 31st July for new members and scrutiny committees.13 Elected Members attended.
	Tony McGinty	Agree programme of Public Health Service Reviews with Executive and Corporate Management Board. **Status @ Sept 2013 Audit Committee** *Implementation date – July 2013*	Programme agreed and on track for delivery
	Tony McGinty	Review clusters of service users with full involvement of internal stakeholders. **Status @ Sept 2013 Audit Committee**	First 2 cohorts of internal stakeholder review

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
	Tony Hill	*Implementation date - July 2013* Present recommendations for service change and integration to Corporate Management Board and Executive. **Status @ Sept 2013 Audit Committee** *Implementation date - September 2013 onwards*	complete and findings implemented. Second 2 cohorts underway. First cohort presented and agreed, subsequent cohorts programmed onto forward plan for completion by 1 April 2014.
Adult Care			
Change of pace and scale The scale and pace of change in Adult Care is pronounced and unlikely to change in the medium term. Notwithstanding the transformation required our primary purpose is to work with the most vulnerable adults in our communities, to help them achieve more, stay at home and keep them safe from abuse. We understand the value of working together with the people who need our advice and support, their families, their wider community, statutory partners and organisations providing support. The resources we have including our people and money will be directed to achieving this. Our 5 priorities for 2013/14 are:	Glen Garrod/Senior Management Team	Adult Care continues to face a substantial change programme grouped here into 3 headings. Each has relevance to the 5 priorities identified. 1. A Transformation Programme for all major projects. This programme is developing a new blueprint for the department. **Status @ Sept 2013 Audit Committee** *Implementation date - October 2013* 2. Integration with Health – reflecting the national policy context for Adult Care with NHS partners in Lincolnshire. **Status @ Sept 2013 Audit Committee** *Implementation date - October 2013* 3. Adult Care performance and quality improvement. **Status @ Sept 2013 Audit Committee**	A Transformation Board has been created with dedicated programme support within Adult Care. The Lincolnshire Sustainable Services Review (LSSR) subsumes a number of key features of Adult Care transformation and this has dedicated corporate and NHS support. Three corporate programmes, namely FDSS, CMPP and the developing Wellbeing Strategy are also progressing Adult Care transformation. All of these programmes have their own governance and support arrangements. The new Wellbeing Strategy is led by Public Health colleagues and is due to be implemented from April 2014. The five priorities for Adult Care are being monitored. Current predictions suggest that

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
1. **A balanced budget out-turn** 2. **Improved performance** 3. **Integration with Health** 4. **Established plans for the delivery of key elements of Adult Care transformation** 5. **A set of quality indicators** We have also strengthened our programme management arrangements to help ensure all developments and changes are successfully managed.		*Implementation date - March 2014 (mid-year review September 2013)*	Adult Care will have a balanced budget outturn for 13/14. Performance overall has continued to improve. The LSSR programme for integration with Health is progressing and the transfer of the in-house LARS service to LPFT should be completed by April 2014. A set of quality indicators supported with a dedicated web page and quality assurance unit is now in place. Adult Care services in Lincolnshire have the highest CQC compliance rating against national standards in the region. A Peer Review of Adult Care was undertaken November 2013 and quality was considered a strength.
Adult Care			
Safeguarding Vulnerable Adults Safeguarding Adults is being placed on a similar statutory footing to that which exists for Children. The work to safeguard vulnerable adults is evolving quickly and is expected to be given more policy direction once the Care and Support Bill becomes enacted (currently before Parliament). The pre-existing Safeguarding Adult Board is chaired by an independent person and has commenced a programme to strengthen its	Glen Garrod/ Elaine Baylis (Independent Chairperson)	Several developments are taking place to enhance the safeguarding work for adults (examples are): 1. A dedicated training plan for improving practice across all agencies is being organised for 2013/14 and 2014/15. **Status @ Sept 2013 Audit Committee** *Implementation date - September 2013* 2. Improved assurance and governance framework. **Status @ Sept 2013 Audit Committee** *Implementation date - To be agreed*	The Peer Review mentioned above was asked to concentrate on safeguarding vulnerable adults. From this Peer Review a number of action points were identified along with improved performance monitoring. Additional senior officer resource has been allocated to support further progress and ensure a high level of preparedness for Adult Safeguarding having a statutory base Summer 2014. The Safeguarding Adults Board has agreed a number of sub groups and additional resources to secure progress with regards assurance, governance and multi-agency training.

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
assurance and governance framework.			
Children Services			
Safeguarding Children • Keeping children safe and protected. • Responding to the family Justice reforms and meeting new timescales regarding adoption. Transforming early intervention services to prevent raising demand in specialist services.	Debbie Barnes	Adopt Signs of Safety as risk identification and management tool. **Status @ Sept 2013 Audit Committee** *Implementation date - Dec 13* Establish a MASH (Multi agency information sharing hub). **Status @ Sept 2013 Audit Committee** *Implementation date* - Business case Dec 13 Programme to recruit, assess and support potential adopters and foster carers. **Status @ Sept 2013 Audit Committee** *Implementation date* - Dec 13 Integrated working with Health through "Making it happen for every family" project. **Status @ Sept 2013 Audit Committee** *Implementation date* - Phase 1 to be implemented Sept 13 / Phase 2 Dec 13 Families Working Together Programme to turn around the lives of families in crisis **Status @ Sept 2013 Audit Committee** *Implementation date* - Phase 1 July 13 with expansion in line with Government guidance Dec 14	Signs of Safety is in the process of being implemented across the service – the priority areas of focus are front line social care teams but we expect to have fully implemented Signs of Safety across the whole services in the next 12 months - We intend to extend this risk assessment methodology to our partners and have agreement in principle – A project plan for multi agency roll out will be developed in the next three months Two workshops have been held to explore the most appropriate model for implementation of a Multi Agency Safeguarding Hub (MASH) in Lincolnshire – An options appraisal paper will go to March 14 Public Protection Board for a decision on the preferred implementation model – All agencies are keen to fully explore the best model for Lincolnshire and learn lessons from other Authorities to ensure we don't weakness safeguarding children arrangements during transition Phase 1 has been implemented – phase 2 will now forma part of the Sustainable Services Review

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones

		Pilot Authority for Public Law Proceedings to assist with family Justice Reforms
		Status @ Sept 2013 Audit Committee
		Implementation date - Start Date Sept 13
			1. Families Working Together project is on track We are just over half way through the programme. FWT have:
			
			   i. Identified 1166 (85%) of the 1370 troubled families Lincolnshire needs to work with. This is slightly ahead of our own internal targets (1110).
			
			   ii. Identified 818 (60%) of those families as being 'worked with' by either FWT or a partner organisation in the county. This is well ahead of our internal target of 680 families by this stage.
			
			   iii. Claimed results payments for a total of 112 (8%) 'turned around' families in January and July 2013. This is ahead of our target of 80 families by this stage.
			
			Project on track -recent visit from Sir James Mumby (President of the Family Division of the High Court of England and Wales) in recognition of Lincolnshire's work in this area

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
Education and Skills • Responding to school funding reforms whilst supporting small schools to be sustainable. • Responding to the new legislative framework which will govern support for children with additional needs. • Transforming school support services due to academy changes. Sufficiency of places. Driving school improvement for academies.	Debbie Barnes	Support Primary Collaborations project to encourage schools to work together. **Status @ Sept 2013 Audit Committee** *Implementation date - Project ongoing – full evaluation to be completed Sept 13* Project Board established and project plan completed to enable services to respond to "Support and Aspiration. **Status @ Sept 2013 Audit Committee** *Implementation date - Compliance with new guidance March 14* Education Support Services transformed to enable a commercial offering for schools. **Status @ Sept 2013 Audit Committee** *Implementation date - March 14 services to be self- sustaining* Capital programme to meet sufficiency of school places. **Status @ Sept 2013 Audit Committee** *Implementation date - Review Dec 13* Replacement guidance for schools causing concern which is applicable to Academies to be developed and agreed with schools. **Status @ Sept 2013 Audit Committee** *Implementation date - Sept 13*	Primary collaborations project on track – evaluation currently being undertaken Support and Aspiration project Board established with three work streams to reflect required changes – Project Plan in place – DFE appointed supporter appraised of progress and additional of up to 2 one-to-one, full day sessions from a SEN professional adviser from DfE is available - We intend to use some of this time for an external evaluation and validation, Commercial offering available to schools Capital programme on track and Council recently notified of further grant to enable use to meet sufficiency duty Guidance agreed with academies and is in place

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
Maintaining Financial Resilience			
Overall services showed an under-spending which will allow some carry forward flexibility into the current year, together with an increase in reserves to meet pressures in 2014/15. Against the current core offer savings target of £146m by March 2015, £102m has already be achieved and a further £20m is already being actioned and classified predominantly as lower risk. A further £24m is classified as higher risk either because action has only just started or plans or still in formulation. The key higher risk areas are around: • waste management (the energy from waste plant has still to come on-stream to reduce waste to landfill and reduction in associated taxes) • adult social care where work on reablement, joint commissioning, learning disabilities and the social	Pete Moore	The financial outturn for 2012/13 was considered by the Council's Executive and the VFM Scrutiny Committee during July. Carry forward budget proposals will be confirmed at the full Council meeting in September. The Council's medium term financial strategy will be updated following that announcement and this will feed into future budget processes. It is expected that a further 3 or 4 year Comprehensive Spending Review will follow the next general election and that the reductions in local government funding will continue possibly until 2020. The Council will be planning for this scenario and the work on a 'Commissioning Council' will assist in determining the desired outcomes and priorities within the likely financial resources available. Consideration of council priorities and budgets as part of the annual budget processes for March 2014 and March 2015. A fundamental budget review will be undertaken over the next 12 months to cover the period from 2015/16 to 2018/19.	Carry forwards from 2012/13 were confirmed at the full Council meeting in September. The revenue budget outturn for the current financial year (2013/14) is expected to show a net underspend, which will allow some flexibility to be carried forward into 2014/15 together with the possibility of replenishing reserves. The medium term financial strategy was updated following the Chancellor's Autumn Statement and the Local Government finance settlement in December. This will be kept under review as further clarification on the size and use of the Better Care Fund is made available. There were no significant surprises in the recent announcements and the continued trajectory of Government funding reductions through to 2020 is still expected. The Executive has now proposed a one year budget for 2014/15 which is in line with the Council's current financial strategy, including the measured use of reserves. The budget proposals also include additional net savings of 1% above the core offer savings already included in the budget. The budget assumes a

Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
care blueprint have still to be actioned to reduce costs in 2014/15. These programmes of work will need careful management and monitoring. A one year Comprehensive Spending Review for 2015/16 was published on 26 June 2013 and it implies reductions in Government support to local authorities of close to 15% in 2015/16.		Monitoring and management of remaining core offer savings through to March 2014. **Status @ Sept 2013 Audit Committee** *Outturn considered by Executive and Scrutiny in July 2013.* *Carry forwards to be confirmed in September 2013.* *Update of medium term financial model following Comprehensive Spending Review announcement on 26 June 2013.*	further council tax freeze in 2014/15. The budget proposals are now subject to scrutiny and consultation prior to finalisation in February. The Fundamental Budget review to set a new medium term financial strategy and budgets (and taking account of funding reductions from 2015/16) is programmed to be undertaken from February to September 2014, when proposals will be subject to consultation and scrutiny.
Procurement and Contract Management			
The Council recognises that it needs to manage its procurement and contracts better if we are to deliver effective services for the future within significant funding constraints. Work is underway to strengthen our management oversight and rigour over our commercial relationships. Our commissioning strategy aims to influence and support sustainability and resilience of our providers – suppliers, partnerships and voluntary sector.	Pete Moore / David O'Connor	Significant work has been done to strengthen contract compliance in Adult Social Care. Contract officers have worked with the Quality and Safeguarding teams to develop more robust contract management protocol which sets out roles and responsibilities for staff in Adult Social Care. Adult Social Care contract officers are going through a comprehensive training programme and this should be complete by the end of June 2013. To support the contract compliance for all Council contracts a contract management toolkit is being piloted in two areas and if successful will be rolled out to all areas of the Council over the next 12 months.	Resources within Procurement Lincolnshire are currently under review to take account of the resources required to support the 'Commissioning Council' approach over the next couple of years, to support joint commissioning / procurement with Health and support service areas where there are a large number of contracts to review and re-configure (including adult care and public health). Some interim resources are already being recruited to assist with the latter. The Contract Assurance Board is meeting on a regular basis to ensure that service procurements and contracts are re-aligned to take a joined up approach that reflects

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
		A new Contract Assurance Board will meet for the first time on the 26 June 2013. The role of the Board is to provide assurance that proposed contracts are consistent with the direction, aims and priorities of the Council and are properly resourced and managed. Contracts with a total value of over £500k or over a 2 year duration will be initially reviewed. All contracts above a value of £25k are recorded on a single electronic platform, Firefly. The only exception to this is that home to school transport contracts are managed via a separate system (SEATS). Training has been undertaken by staff in the operation of the procurement and contract systems to ensure they are used effectively. **Status @ Sept 2013 Audit Committee** *Some actions already complete and others will be ongoing over the next 12 months. Periodic updates on progress and feedback on effectiveness will be brought to the Audit Committee.*	achievement of better outcomes and further efficiencies.
Becoming a Commissioning Organisation			
The Council has expressed an intention to 'become a commissioning council'.	Pete Moore / David O'Connor	The 'Commissioning Council' approach will be progressed during the latter half of 2013 and the first half of 2014.	To follow

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
As a Commissioning Council we will achieve desired balance of **quality**, **cost** and **risk** by: • Consistently making decisions based on evidence of needs and political priorities. • Working with partners to get the best results. • Focusing on outcomes for people and places. • Using the best means of delivering those outcomes, whether that is inside or outside the Council. • Holding all service providers to account with appropriate rigour. This will help us maximise the benefits from available resources through joint commissioning with partners in a context of reduced resources.		This will enable the Council to focus more readily on its key outcomes and priorities for the future and to ensure that the Council has the key skills to commission and procure its services as effectively as possible, whether that be internally or externally via the private sector, voluntary sector or jointly with key partners such as Health. This will be linked to the update of the Council's financial model following the expected Comprehensive Spending Review announcement on 26 June 2013. **Status @ Sept 2013 Audit Committee** *Linked to business plan and budget process for 2014/15 i.e. March 2014, although some commissioning policies may follow to fit into joint commissioning with other organisations and contract renewal dates.*	
Maintaining ICT Resilience			
Whilst Council systems are more resilient than ever before they are delivered from a single data centre. Where possible new applications are hosted remotely or provided via	David O'Connor	Capital funding provided for new centre but could be overtaken by Future Delivery of Support Services (FDSS) with all current bidders having multiple suitable data centres. **Status @ Sept 2013 Audit Committee** *Implementation date - part of FDSS.* Continue this approach where effective. **Status @ Sept 2013 Audit Committee**	To follow

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Governance Issue	Lead Officer(s)	Key Delivery Milestones	Current Status on delivery of Key Milestones
software as a service.		*Implementation date - As opportunities arise*	
Improved network security as a result of Public Service Network (PSN) introduction.		Achieve PSN Code of Connection compliance **Status @ Sept 2013 Audit Committee** *Implementation date - September 2013*	

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**Good Governance
In
Lincolnshire County Council**

THE BACKGROUND

Introduction

To ensure the public has confidence in the way we work, we need to show high standards in public life. It's about how we run our business or organisation – it's about good governance.

What is good governance?

Good governance is about showing we are:

'Doing the right things, in the right way for the people we serve in a timely, open and honest way'.

Good governance leads to:

- good management
- good performance
- good stewardship of public money
- good public engagement and as a result
- good outcomes for the public and service users.

What is the purpose of this code?

We have produced this code to show our commitment to maintaining the highest possible standards of public life.

Why is it important?

Lincolnshire County Council (the Council) spends over £700 million of public money every year. It is our duty to **"ensure the greatest benefits for the people in Lincolnshire from the resources we use."**

The public have a right to expect high standards and value for money in how we spend this money to improve the lives of the people of Lincolnshire.

Local Government has been and will continue to undergo significant change. The way we operate and deliver services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. We need to aim for the standards of the best and our governance arrangements should not only be sound but also seen to be sound.

Whose responsibility is it?

Having good governance arrangements is important to everyone involved in the Council. However, it is a key leadership responsibility of the Leader of the Council and of the Chief Executive. They are accountable for ensuring good governance in the Council.

There is also a **Corporate Governance group** whose role is to support the Council to ensure that it complies with the standards of good governance as set out in the CIPFA / SOLACE – Delivering Good Governance in a Local Government Framework - 2012 .

The group consists of the following people:

The Assistant Chief Executive – Governance & Performance
Assistant Director – Finance and Resources
Head of Internal Audit & Risk Management
Chairman of the Audit Committee
Vice Chairman of the Audit Committee

THE GOVERNANCE FRAMEWORK

Each local government body operates through a Governance Framework which brings together a set of legislative requirements. As we follow the framework it helps us to ensure accountability for the proper conduct of our business, through the publication of an annual governance statement.

The Framework consists of the systems and processes, cultures and values by which the Council is directed and controlled. It sets out how we account to and engage with the people of Lincolnshire - it's about **Community Leadership**.

It helps us monitor our progress in achieving our goals and whether or not those goals are leading to effective and top quality services.

Our Governance Framework is defined by the six principles of good governance as shown in the following diagram.
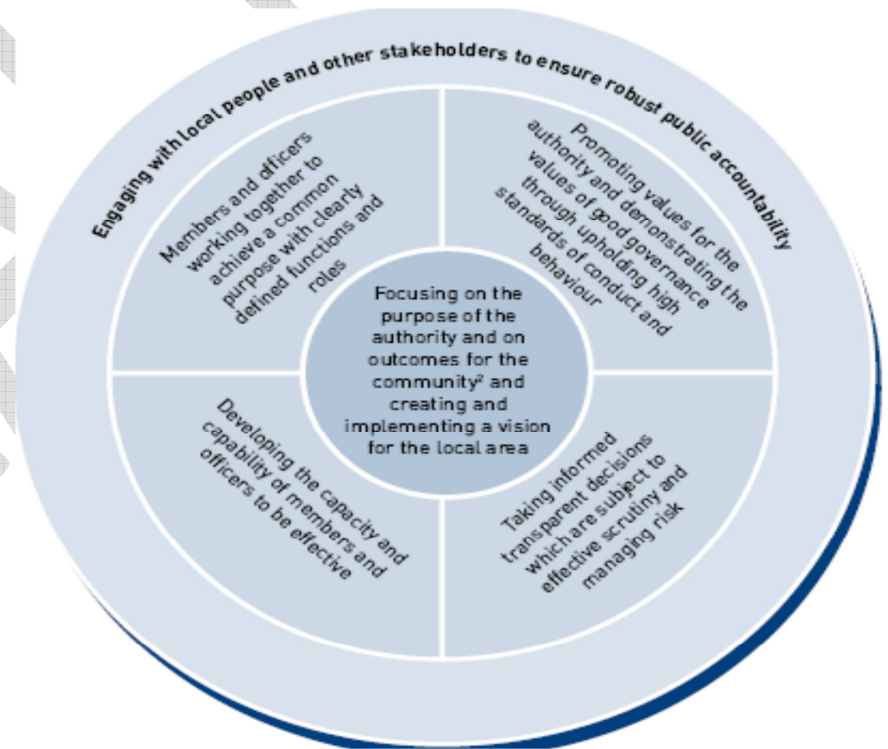
This document shows our commitment to these six principles.

Principle 1 ~ Good governance means…engaging with local people to raise the profile of the Council and demonstrate public accountability.

Supporting Principles	Our Commitment	Want more information?
To make sure we are doing the right things, in the right way we will use leadership to engage with local people and relevant organisations developing strong accountable relationships.	We will make clear to all staff and the community to whom we are accountable and for what.	The Constitution
	We will be open and transparent in all our dealings – preserving confidentiality only in specific circumstances where it is proper and appropriate to do so.	Freedom of information policy Data protection policy
	We will continue to put the public first in seeking their views to help make decisions on how we use resources.	Consultation Strategy Performance Overview and Scrutiny Annual Report Annual report on complaints / compliments
We will take an active approach to consult and give an account to the public to ensure effective services - whether directly provided, with or through other organisations.	We will make sure that clear communication and consultation is in place with all sections of the community and operates effectively.	Communications Strategy Community Engagement Strategy
	We have built and will continue to build strong relationships with our partners.	Joint Strategic Needs Assessment
	We will ensure that we engage with the public effectively on inspection results and reviews.	Outcomes of inspections are published and available on our web page http://www.lincolnshire.gov.uk/
We will make sure we use the best use of our people by taking an active and planned approach to managing our staff.	We will have a clear policy on how staff and their representatives are consulted and involved in decision making.	Change Management / Joint Consultative Committee Learning and Development People Strategy

Principle 2 ~ Good governance means…focusing on the purpose of the Council and improving future outcomes for the whole county.

Supporting Principles	Our Commitment	Want more information?
We will communicate to the public the vision and purpose of the authority and what we will achieve for the people of Lincolnshire.	We will set out our objectives and priorities for the year within our business plan.	Organisational Strategy Business Plan
We must make sure the public receive high quality services.	We will continue to set out the overall strategic direction and long term vision for the economic, social, and environmental wellbeing of Lincolnshire.	Joint Strategic Needs Assessment Health and Wellbeing Board
	We will measure our success and publicly report how we are doing.	Statement of Accounts Business Plan Annual Report
	We will provide world class customer service to help show we deliver services and learn from what customers tell us.	Community Engagement Strategy Customer Service Charter
We must ensure the authority delivers excellent value for money and makes the best use of our resources.	We will continue to review our financial strategy.	Financial Strategy
	We will use our Value for Money strategy to set out how we will respond to the economical challenges that we are facing and still provide top rate services.	
	We will continue to work with our partners and suppliers to manage our money wisely and deliver top rate services.	

Principle 3 ~ Good governance means… members and officers working together to achieve a shared purpose and being clear about roles and responsibilities.

Supporting Principles	Our Commitment	Want more information?
We must make roles and responsibilities within the Council clear to ensure effective leadership.	We will show how the Council operates and how decisions are made to make sure we are accountable to local people.	The Constitution Code of Conduct Codes and Protocols
We must ensure that a strong and constructive working relationship exists between elected Members and Officers.	We have set out the roles of staff and our democratic decision making process.	Employment manual Codes and Protocols
	We will set out the conditions for employment of staff and maintain effective management of the process.	Members Allowance Employment manual
Ensuring relationships between the authority and the public are clear so that each know what to expect of the other.	We will open meetings to the public except where there are confidential matters being discussed.	Consultation Strategy Council Meetings
	We will be effective in monitoring the way services are delivered and act on any complaints we receive.	Role of Monitoring Officer
	We will ensure that the Council's vision, aims and priorities are carried out in consultation with the community.	Consultation Strategy

Principle 4 ~ Good governance means… demonstrating the values of the Council through excellent standards of conduct and behaviour.

Supporting Principles	Our Commitment	Want more information?
Ensuring members and officers display the highest standards of conduct and effective governance.	We will promote a strong culture to prevent and detect fraud.	Counter Fraud Policy Whistleblowing Policy
	We will promote good conduct and behaviour in our staff and members.	Code of Conduct
	We will effectively deal with complaints and ensure the fair treatment of all.	Local Arrangements for dealing with standards complaints Audit Committee Terms of Reference
Ensuring that organisational values are put into practice and are effective.	We will make sure that the Council's leadership sets a tone for the organisation by creating an atmosphere of respect, openness and support.	Codes and Protocols
	We will promote good ethical conduct of Councillors and non elected staff.	Audit Committee Records Codes and Protocols
	We will use our commitment to Equality and Diversity when making decisions and to develop positive, trusting relationships.	Equality and Diversity

Principle 5 ~ Good governance means…taking informed transparent decisions which are subject to effective scrutiny and managing risk

Supporting Principles	Our Commitment	Want more information?
We must be clear about how decisions are taken and listen and act upon constructive scrutiny.	We will develop and promote high standards of good governance.	Audit Committee Records Audit Lincolnshire CIPFA statement on the Role of the Head of Internal Audit in Local Government
	We will develop and maintain ways of effective, constructive challenge in the way we work and our overall performance.	Overview and Scrutiny
	We will have a designated Monitoring Officer with responsibility for ensuring the lawfulness of decisions taken by us.	Constitution part3,
Having good quality information, advice and support to make sure that services are delivered effectively and are what the Community wants / needs.	We will share experiences and work together with our partners to promote good governance and accountability across Lincolnshire.	Annual Report
	We will ensure that relevant information is provided to those who make decisions for the Council.	Constitution part2 ,article11 CIPFA statement on the Role of the Chief Finance Officer in Local Government
Ensuring that we manage our risks effectively.	We will ensure we have good Risk Management process in place to head off any major problems.	Risk Management Strategy Audit Committee Strategic Risk Register
Using our legal powers to the full benefit of the community based on sound business strategies, delivery models and business cases.	We will obtain appropriate legal and financial advice when making key decisions.	Big Society Fund Constitution – Decision Making – Article 10
	We will use our powers to the full benefit of our communities and not act beyond them	

Principle 6 ~ Good governance means…developing the capability of members and officers to be effective in their work.

Supporting Principles	Our Commitment	Want more information?
Making sure that members and officers have the skills, training, experience they need to perform well in their roles.	We will ensure staff learning opportunities are available and communicated to all.	People Strategy Employee Induction
	We will make sure that statutory officers have the skills; recourses and support needed to fulfil their roles and these roles are communicated.	Role of Monitoring Officer Role of Director of Resources Constitution-Responsibility for Functions
	We will ensure that skills required by Members and staff are assessed and developed to enable roles to be carried out more effectively.	**Employee Appraisal and Development**
We must encourage new talent and make the best use of the skills that staff have.	We will show a commitment as an employer that achieves the most by getting the best from its people.	Investors in People/Development and Training Policy

Assurance Arrangements – Is it working?

There are a number of ways we assess if our governance arrangements are working. These are:

Our first line of assurance	Our second line of assurance	Our third line of assurance
Assurances by Managers Our managers have the day to day responsibility for managing and controlling services. They are accountable for successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance. Assurance is continually provided by each Head of Service and members of Senior Management on the effectiveness of governance, service delivery and management of risk for their area of responsibility. **Assurances by Members** The Council has 10 Overview and Scrutiny Committees whose work of scrutiny and review support and improve Council services. They look at: ~ new policies that are being developed ~ existing policies to see how well they are working	**Risk Management** Risk Management is about taking providing an effective framework for the Council to manage the key risks facing the Council. For more information go to: **Risk Management Strategy** **Performance and Programme Service** The aim of this service is to support the business to realise it's vision by investing in the right things, maximising return and benefits on that investment. They provide oversight and challenge. For more information go to**: Performance** **Governance Group** The Governance Group was set up to help ensure the Council adopts good governance in how it runs its business and making sure we are *'doing the right things, in the right way, for*	**Internal Audit** Internal Audit provides independent assurance designed to add value and improve how the council operates. It helps the Council achieve its priorities and objectives by bringing a systematic, disciplined approach to evaluate and improve the management of risk, control and governance processes. It provides constructive and independent challenge to management on the way things are done. For more information go to: **Audit Lincolnshire** web site **External Audit** External Audit review and report on our: ~ financial statements (including the annual governance statement): providing an opinion on our accounts. ~ use of resources – concluding on the

Our first line of assurance	Our second line of assurance	Our third line of assurance
ad performance information to check that the Council is meeting the standards that have been set. For more information go to: **Overview and Scrutiny Annual report 2012/13**	*the right people, in an open, honest, inclusive and timely manner'.* It includes the statutory officers and the Chairman of the Audit Committee.	arrangements in place to secure economy, efficiency and effectiveness in the use of our resources. **Audit Committee** The Audit Committee is a vital in promoting good governance, ensuring accountability and reviews the way things are done. The Audit Committee examines areas such as audit, risk management, counter fraud, standards and financial accountability. The Committee exists to challenge the ways things are being done and making sure the right processes are in place. It also seeks to promote an open and honest system of Local Government by making sure both officers and members follow their Codes of Conduct. For more information go to: **Audit Committee records** **External Inspections** External inspections aim to drive improvements in public services. They review a specific service area to evaluate how efficient and effectively the service meets the needs of the people of Lincolnshire. For more information go to: (Ofsted and Social care inspections)

We hope you found this Good Governance guide helpful – for further information please refer to the following website: For more information on any of the above please visit our website by following this link: http://www.lincolnshire.gov.uk/

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Preface

This revised guidance note relates to *Delivering Good Governance: Framework,* published in 2007, and its subsequent addendum, published in 2012, which are intended to be used as best practice for developing and maintaining a locally adopted code of governance.

The purpose of this guidance note is to assist authorities and partnerships in reviewing the effectiveness of their own governance arrangements by reference to best practice and using self-assessment.

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Introduction

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK

The Framework *Delivering Good Governance in Local Government,* published by CIPFA in association with SOLACE in 2007, sets the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued an addendum to it in the Autumn of 2012 which provides an updated example annual governance statement. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements. Authorities are encouraged to meet the governance standards of the best.

The concept underpinning the Framework is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards, in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of those resources, in order to achieve desired outcomes for service users and communities.

The Framework draws on earlier work on governance in the public services which is briefly outlined in the appendix to this guidance note.

It is intended that the Framework and the addendum are used by local authorities and partnerships including:

- county councils
- district councils
- most purpose authorities
- Greater London Authority and functional bodies
- city regions
- the Corporation of London
- fire authorities
- joint authorities (including passenger transport authorities, waste disposal authorities and combined fire authorities)
- police
- national park authorities.

PURPOSE OF THE GUIDANCE NOTE

The guidance note, which should be used in conjunction with the Framework and the addendum, is intended to assist authorities and partnerships in reviewing their governance arrangements. It will also help local government bodies in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate to their governing body, taking account of the legislative and constitutional arrangements that underpin them. However, this guidance note is not intended to be prescriptive in any way – all authorities are encouraged to consider carefully the content of the Framework and to use it in a way that best reflects their structure, type, functions and size.

This guidance note is aimed at authorities in England[1] and will be particularly useful for officers in those organisations.

TERMINOLOGY

Although the term 'authorities' is used throughout this guidance note, it should be taken also to cover partnerships and joint working arrangements that are in operation.

CONTEXT FOR THE UPDATE

Local government has been undergoing significant change. Much of this has been driven by the economic downturn and financial crisis, but the government has introduced new roles, opportunities and greater flexibility for authorities in the form of the provisions of the Localism Act and other key legislation. Over recent years local authorities have changed substantially the way in which they operate and undertake service provision. Public services are delivered through partnerships, collaboration and commissioning. Shared services and partnership boards have come into existence. New ways of working provide challenges for managing risk, ensuring transparency and demonstrating accountability.

DEVELOPMENTS SINCE THE LAUNCH OF THE FRAMEWORK

Transparency

The government is committed to increasing transparency across Whitehall and local authorities in order to make data more readily accessible to the citizen and to hold service providers to account. The Department for Communities and Local Government (DCLG) published *The Code of Recommended Practice for Local Authorities on Data Transparency* in September 2011. The Code is concerned with enshrining the principles of transparency by asking councils to follow three key principles when publishing data they hold:

- responding to public demand
- releasing data in open formats available for re-use

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1. Excluding police, which are covered in a separate guidance note *Delivering Good Governance in Local Government: Guidance Note for Police* (2012)
    (see www.cipfa.org/Policy-and-Guidance/Reports).

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■ releasing data in a timely way.

A key part of making spending and data transparent is to get good quality information in the public domain in a standardised format while maintaining the security of that data.

Localism Act 2011

The Localism Act includes a number of provisions intended to give local government new freedoms and flexibility. Those of greatest relevance to this guidance note are summarised below:

■ The 'general power of competence' gives local authorities the legal capacity to do anything an individual can that is not specifically prohibited. This new general power will give local authorities greater freedom to work in partnership and develop more innovative ways of providing services.

■ The government has abolished the standards board regime but has introduced a new duty to promote and maintain high standards of conduct. Local authorities are required to draw up their own codes of conduct.

■ The government is encouraging greater use of the directly elected mayor model of governance.

■ The Act permits local authorities and their citizens to change their form of governance and to move away from an executive form of governance to a committee structure if they wish.

Health and Social Care Act 2012

Public health services are being restructured nationally and locally. At a national level, a new body – Public Health England – will oversee the public health system and will be accountable to the Secretary of State. At a local level, local authorities now have responsibilities for public health and are required to appoint a director of public health. While objectives will be set nationally for improving population health, local authorities will have the freedom to determine the means by which they are achieved.

Health and wellbeing boards will be created within local government with the following main functions:

■ to assess the needs of the local population and lead the statutory joint strategic needs assessment

■ to promote integration and partnership across areas, including through promoting joined-up commissioning plans across the NHS, social care and public health

■ to support joint commissioning and pooled budget arrangements, where all parties agree this makes sense

■ to undertake a scrutiny role in relation to major service redesign.

The Role of the Chief Financial Officer

In 2010, CIPFA issued the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*. The statement supports CIPFA's work to strengthen governance and financial management across the public services. It sets out five principles that define the core activities and behaviours that belong to the role of the chief financial officer and the

governance requirements needed to support them. The governance requirements should be reflected in an authority's local code of governance (see section 5).

The statement can be found at www.cipfa.org/Policy-and-Guidance/Reports/The-Role-of-the-Chief-Financial-Officer-in-Local-Government

The Role of the Head of Internal Audit

In 2010, CIPFA issued the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.* The statement supports CIPFA's work to strengthen governance, risk management and internal audit across the public services. Its purpose is to clarify the role of the head of internal audit in public services and to raise its profile. CIPFA's statement sets out five principles that define the core activities and behaviours that belong to the role of the head of internal audit and the organisational requirements needed to support them. These requirements should be reflected in an authority's local code of governance (see section 5).

The statement can be found at www.cipfa.org/Policy-and-Guidance/Reports/-/media/Files/Publications/Reports/Role_of_the_HIA_NOVEMBERv5.pdf

Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 provides for directly elected police and crime commissioners to oversee local police forces, replacing police authorities, apart from in the City of London. For the Metropolitan Police area, the Mayor of London will be the police and crime commissioner. In addition, police and crime panels are being established to provide scrutiny of the police and crime commissioner's work for their force area.

The structure of governance in policing is covered in *Delivering Good Governance in Local Government: Guidance Note for Police,* published by CIPFA in 2012. The guidance can be found at www.cipfa.org/Policy-and-Guidance/Reports

Changes to Local Authority Governance Structures

Commissioning and partnerships with other local authorities and sectors are increasingly used as vehicles for delivering public services by local government. Local authorities often work with and through a range of organisations to deliver services. Partnerships and the cross-cutting issues with which they often deal create some special challenges for clear accountability and good governance. Each partner organisation may have its own governance and accountability structure, its own code of conduct and risk management arrangements. Demonstrating clear lines of accountability for stakeholders and customers may be difficult and needs to be carefully thought through by those involved, but is essential for good governance. The introduction of the government's 'big society' concept, which is encouraging public sector organisations and individuals to demonstrate new and innovative ways of delivering public services, brings further challenges in this area.

Shared services between organisations, including shared management teams and chief executives, can bring about substantial benefits, including cost savings for the parties involved. At the same time, there are distinct issues surrounding what happens if something goes wrong.

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Using the guidance note

This guidance note is intended to help those supporting the political and officer leadership with establishing robust governance. It signposts component parts of the process and establishes a hierarchy of support.

This guidance note is aimed at assisting individual authorities in:

- considering how they might go about reviewing their governance arrangements
- developing governance arrangements for new structures such as shared services or health and wellbeing boards
- developing and updating their own local codes of governance
- demonstrating compliance with the principles of good governance.

It is suggested that, in using *Delivering Good Governance in Local Government: Framework*, authorities should nominate an individual or group of individuals within the authority who have appropriate knowledge, expertise and levels of seniority to:

- consider the extent to which the authority complies with the principles and elements of good governance set out in the Framework
- identify systems, processes and documentation that provide evidence of compliance
- identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- identify issues that have not been addressed in the authority and consider how they should be addressed
- identify the individuals who would be responsible for undertaking the actions that are required.

Section 3 looks at how the 'governing body' operates in local government.

Section 4 provides case studies and assessment questions for authority members and senior management to consider when:

- thinking about or implementing shared chief executive and management teams
- thinking about or implementing a committee structure for decision making.

Section 5 includes examples of the systems, processes and documents that might be cited by an authority as evidence of compliance with good practice. Authorities should not, however, feel constrained by either the format or the examples listed. Useful references and tools available to local authorities for self-assessment purposes are also listed. Authorities might find this a practical way of approaching the task.

The review must be reported on both within the authority, to the audit committee, or other appropriate member body, and externally with the published accounts of the authority. In doing this, the authority is looking to provide assurance:

■ that its governance arrangements are adequate and working effectively in practice

■ where the reviews of the governance arrangements have revealed circumstances which will impact on the authority achieving its objectives, that action is to be taken to ensure effective governance in future.

Section 6 looks at the following areas in more detail:

■ annual governance statements

■ the role of scrutiny

■ fraud

■ maintaining standards

■ audit committees

■ the governance of risk.

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The 'governing body'

INTRODUCTION

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority.

RESPONSIBILITIES

Elected members are collectively responsible for the governance of the council. The full council's responsibilities include:

- agreeing the council's constitution, comprising the key governance documents, including the executive arrangements and making major changes to reflect best practice
- agreeing the policy framework, including the community strategy and other key strategies
- agreeing the budget
- appointing the chief officers.

The Local Government Act 2000 (the 2000 Act) required councils with populations over 85,000 to adopt a mayor or leader and cabinet model. This meant decision-making power was placed with either a mayor directly elected by local residents or a council leader with a small 'cabinet' or 'executive' who had the power to make decisions both individually and collectively. Local authorities were also required to establish an overview and scrutiny function for members outside the cabinet through which they could question and challenge policy and performance of the executive and promote public debate.

The executive is responsible for:

- proposing the policy framework and key strategies
- proposing the budget
- implementing the policy framework and key strategies.

The chief executive advises councillors on policy and necessary procedures to drive the aims and objectives of the authority. The chief executive leads a management team consisting of senior managers. The chief financial officer, monitoring officer and other senior managers are responsible for advising the executive and scrutiny committees on legislative, financial and other policy considerations to achieve the aims and objectives of the authority. They are responsible for implementing councillors' decisions and for service performance.

Through the Localism Act 2011, the government has allowed councils in England to change their governance arrangements. They may adopt a committee-based system for decision making as an alternative to the leadership/cabinet model or to a directly elected mayor model, should they wish, subject to a local referendum. The key elements include:

■ Removal of current restrictions set out in the 2000 Act which require all councils in England with a population of 85,000 or more to operate executive arrangements – either the leader and cabinet or mayor and cabinet model.

■ Councils in England will have the freedom to decide what governance model to adopt, including the committee system.

■ Councils opting to operate the committee system will be able to decide how to discharge their functions, subject to the requirement to have certain statutory committees, such as a licensing committee.

■ Councils choosing to operate the committee system will not be required to have an overview and scrutiny committee.

Fire authorities and joint authorities including waste disposal authorities, passenger transport authorities and combined fire and rescue authorities do not have directly elected members. Instead they have members appointed to the authority by the local councils. National park authorities also have members appointed by the Secretary of State. Members are responsible for setting policies and priorities and for the efficient and effective use of resources. These authorities do not have formal constitutions but rely on the schemes of delegation and operate a traditional local authority committee model. In the fire service, the fire brigade operates as the executive arm with the fire service providing scrutiny.

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Assessment questions for authorities to consider and case studies

SHARED CHIEF EXECUTIVES AND MANAGEMENT TEAMS – QUESTIONS TO CONSIDER

The following section highlights questions that members and officers in an authority might consider when looking at, implementing and reviewing arrangements for sharing chief executives and management teams.

1. Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- Has a common vision of the outcome of the shared service/shared chief executive arrangement been agreed by all parties?

- Has the vision been agreed between the authorities prior to working out the detail of the arrangement?

- Are the plans locally driven?

- Where authorities are under different political control, what particular challenges will this introduce and how might they be overcome?

- How can a clear and consistent political will be encouraged?

- Would it be helpful for the authorities to agree a set of joint priorities?

- What will be the outcome/benefits for the community of sharing the chief executive/other shared arrangements?

- How will the ongoing support of the members be secured? How will that support be used for promoting the initiative to staff and the wider public?

2. Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

- Are there opportunities for the chief executives and leaders concerned to develop good relationships with other authorities with the potential to share services prior to more detailed discussions?

- How can equity between the authorities be assured so that the initiative is not perceived as a take-over or one council appearing too self-interested (for example, in relation to officer appointments).

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- How can equity between the authorities be assured? How will fears be allayed that in the chief executive structure, one authority might be prioritised over another?

- Would it be helpful for members to be able to voice concerns/expectations on a regular basis, possibly with members from the other authority?

- How will the shared chief executive retain a connection with staff?

- How will fears by members about loss of officer support be allayed?

- How will the authorities ensure that the shared vision is followed through?

3. Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- How can an atmosphere of mutual trust between the authorities and key players be encouraged? How can officer support assist here?

- Should authorities declare their non-negotiable issues/areas early on to help build trust?

- Do the authorities have similar cultures (management as well as organisational)? If not, would it be beneficial to consider how they might be brought closer together?

- How can member and officer personal interest in the initiative be encouraged?

- In the event of talks breaking down, how will the authorities ensure that they retain a good relationship in the future?

- In the case of shedding jobs, how will an open and honest process be established? The human resources function has a key role. Will any new skills be required?

- How will an open and honest recruitment process for the appointment of the shared chief executive be established?

- How will the authorities ensure that the process for appointing the shared chief executive is agreed early in proceedings?

4. Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Has political buy-in been secured at an early stage?

- Has there been an open debate between the senior officers and members of the authorities about the costs and benefits of the proposed scheme?

- Are the estimated savings on which the plans are based 'realistic'?

- Are the services between the authorities sufficiently aligned to enable synergies to work?

- Has the scheme secured the support of officers?

- How will a balanced process for officer appointments between the authorities in the case of a shared management team be managed?

- How can momentum be maintained during talks?

- How have the risks of the proposed approach been assessed? How will they be managed?

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5. Good governance means developing the capacity and capability of members and officers to be effective

- Are the proposed arrangements sufficiently flexible so that they enable the authorities concerned to access the managerial expertise they require in-house on a sustainable basis?

- How will expectations be managed about what can be delivered in relation to shared chief executive arrangements and other shared services? Has the use of new technologies such as teleconferencing that might overcome logistics problems been fully considered?

- Will the shared chief executive have access to appropriate resources – such as a personal assistant at each local authority – to ensure that he or she can work effectively?

- What arrangements will be put in place to evaluate the success of the shared arrangements and to identify areas for improvement?

6. Good governance means engaging with local people and other stakeholders to ensure robust local public accountability

- Do the authorities have an agreed media management policy in place for communicating with the public?

- How will successes be communicated to the public?

- What communication channels will need to be established to reach all levels of the authority? How will they be enacted to ensure updates on a regular basis, for example weekly bulletins or regular emails communicating successes and future plans? These can be used to build relations with new members/officers.

Bibliography

Crossing the Border: Research into Shared Chief Executives (Local Government Association, 2012)

Shared Chief Executives and Joint Management: A Model for the Future? (Improvement and Development Agency, 2009)

Shared Chief Executives: The Lessons (Improvement and Development Agency, 2008)

COMMITTEE STRUCTURES FOR MODERN LOCAL GOVERNMENT – QUESTIONS TO CONSIDER

The following section highlights questions that members and officers in an authority might consider when looking at, implementing and reviewing new committee structures.

1. Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

- How will the committee structure ensure a strategic approach to decision making and policy development?

- How will the authority ensure that the committee structure is developed in accordance with best practice?

- How will issues be prioritised between committees?

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- How will the authority ensure that committees only consider those strategic matters where they can add value?

- How will the authority ensure that committees do not focus too much on operational issues?

2. Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

- How will the design of the committee structure ensure that decisions can be made in a timely manner?

- Will the structure enable members to be directly involved in developing proposals?

- How will the authority ensure that the committees can work effectively and that they have sufficient time for discussion and debate in making decisions?

- Should some decisions be delegated to officers to enable the work of the authority to be carried out effectively?

3. Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Has the authority ensured that the reasons behind the proposed change to its governance structure are robust and do not signify a problem with its culture which should be resolved differently?

- How will the authority encourage members to work together to enable effective decision making within a political setting?

4. Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Have the reasons for changing the governance structure of the authority been clearly articulated?

- Have the assumptions supporting the proposed change been adequately tested?

- Has the impact of a change to the decision-making processes on partnership working been assessed?

- How will the authority ensure that there are effective arrangements for managing risk and driving improvements?

- How will the authority ensure that the work of its committees can be programmed to achieve timely decision making?

- How will issues cutting across a number of committees be flagged up appropriately to ensure that decisions are made on a timely basis?

- How will the authority ensure that committees do not operate in 'silos'?

- How will the authority ensure effective scrutiny and that it remains independent, appropriately resourced and externally focused?

- How will the authority ensure that the new structure does not adversely affect or complicate partnership decisions?

- Will the authority need to consider delegated decision making under certain circumstances, for example to enable partnership-based decisions to be made?

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5. Good governance means developing the capacity and capability of members and officers to be effective

- How will the authority ensure that appropriate information is shared with members to enable them to carry out their new roles?

- How will the authority ensure that committees act consistently in dealing with issues that cross several committees?

- How will members be kept up to date with appropriate issues in relation to the decisions they are making?

6. Good governance means engaging with local people and other stakeholders to ensure robust local public accountability

- Has the local community been made aware of the proposed changes and how changes to the decision-making structures will affect them?

- How will partnership decision-making structures be integrated into the committee arrangements to ensure that they can be held to account effectively?

- How will the authority ensure that the public has the opportunity to influence decisions in the new structure?

- How will the authority ensure that members can maximise their opportunities to engage with their communities?

Bibliography

Changing Governance Arrangements (Policy Briefing 4) (Centre for Public Scrutiny, 2010)

Musical Chairs: Practical Issues for Local Authorities Moving to a Committee System (Centre for Public Scrutiny, 2012)

CASE STUDIES

Several local authorities have supplied us with material on how they have tackled specific governance issues. These are illustrated below.

Joint Committee Governance Arrangements

The joint committee had always performed well, requiring little involvement from the lead authority, and had returned substantial annual dividends to member authorities. Then things started to go very wrong – there were significant operational failures, excessive spending and falling revenues, wiping out almost all the profits. Governance arrangements were in place for the historically stable organisation but it became rapidly apparent that they were not sufficient in a dynamically changing environment with 'rogue' factors at work. Stopping the decline and returning the organisation to good performance and profitability took an enormous amount of time, cost and effort, with massive reputational and personal risk for some officers.

The governance arrangements in place and written into the constitution covered:

- the purpose and objectives of the organisation
- the role and responsibilities of the director

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- the role and responsibilities of the statutory officers from the lead authority
- the delegations and authority of the director
- financial and contract procedure rules.

Arrangements were also in place in relation to lead authority control and oversight of banking arrangements. This proved critical to the early identification by the lead authority of problems arising (through observation of cash flows) when the organisation's reporting to members was inaccurate and misleading.

Problems in applying good governance were as follows:

- Arrangements were ignored by key people. Decisions were being made but not transparently reported.
- The size of the joint committee was an issue. Its membership covered a wide cross-section of 'owning' authorities but there was no relationship (local or political) other than being present at the same committee meetings three or four times a year.
- The members had little understanding of the role of the lead authority so when advice was given it was repeatedly ignored.
- The director was not line managed by any authority so there was an inability to direct a change in behaviour or approach.
- The role and purpose of the organisation had become blurred and misunderstood over time and was potentially in conflict with the local authorities that 'owned' it.
- In the absence of an audit committee, governance concerns were not independently and closely monitored.
- Whistleblowing arrangements were ineffective as they were not sufficiently independent.
- The activity was not actually unlawful, making it difficult for the lead authority to 'force' action to be taken.
- Member decision making was technically correct in governance terms (formal reports from the lead authority clearly stated the problems but members chose not to agree recommendations).

Improvements made to avoid a recurrence of problems (once action had eventually been taken to resolve them) included the following:

- Member training – their role, the role of the organisation and the role of the statutory officers.
- A strategic officer group was established chaired by the lead authority and consisting of senior officers from all the member authorities, which now meets in advance of each committee meeting to consider the implications of the committee's business and to hold the director to account.
- A small and focused audit committee has been established.
- A whistleblowing hotline and website through to the lead authority has been set up. It is therefore independent of the organisation's management.

- The constitution, delegations and procedure rules have been reviewed and updated by officers of all member authorities, ensuring everyone is aware of them and that members are fully briefed.

Integration of Services – Leeds City Council

Leeds City Council will receive new public health functions from April 2013. Services, staff and contracts will transfer to the authority from local and national NHS bodies. The authority must integrate these new functions at both strategic and delivery level.

The council will also be required to appoint a director of public health, and a new committee – the health and wellbeing board – which will supersede its current health partnership arrangements within its local strategic partnership.

The challenge is to ensure that the transition process and the new functions are carried out in accordance with the authority's governance and decision-making frameworks. The new arrangements also require a review of the authority's decision-making framework so that it is fit for purpose.

The key ways in which this will be done, by addressing the six principles contained in the council's code of corporate governance,[2] are as follows.

Focusing on the purpose of the council and community needs

The new functions will be carried out with a focus on the vision and priorities relating to health set out in the city priority plan (as well as the statutory joint health and wellbeing strategy in due course).

Creating an office of the director of public health, and adopting a 'hub and spoke' public health operating model within the authority (with staff working in different localities and across all directorates), which will embed the new functions into all of the authority's activities.

Having clear responsibilities and arrangements for accountability

The leader has appointed an executive member for health and wellbeing to provide political leadership and accountability.

The director of public health is to be directly accountable to the chief executive for the exercise of the authority's public health functions. The director of public health is also a member of the corporate leadership team, able to influence decisions across the range of the authority's business.

The officer delegation scheme will be reviewed to reflect the statutory functions of the director of public health.

Good conduct and behaviour

The implications of the authority's new members' code of conduct for officers and representatives appointed to the health and wellbeing board will be reviewed.

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2. Modelled on the CIPFA/SOLACE Framework principles of good governance.

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Taking informed and transparent decisions which are subject to effective scrutiny and risk management

A Leeds public health transition plan was jointly agreed by the NHS and the authority, and is subject to an NHS assurance process.

A public health transition programme board chaired by the director of public health, with council and NHS representation, oversees implementation of the transition plan. The board advises relevant decision makers within the council and the NHS on transfer of functions, staff and commissioning contracts, and reports progress to the authority's executive board.

The governance arrangements of the transition board include the management of risks associated with the transition.

The director of public health has responsibility for intelligence and information to support and advise members and officers.

Health scrutiny arrangements will be reviewed.

Developing the capacity and capability of members and officers to be effective

A shadow health and wellbeing board is carrying out an organisational development programme during this shadow year to develop new ways of working.

The ongoing health and wellbeing development programme for councillors has included specific training on the transition of public health functions.

The director of public health has responsibility for public health workforce development.

Engaging with local people and other stakeholders

Communication and engagement is a distinct workstream under the transition board. A comprehensive communication and engagement plan has been submitted to the strategic health authority.

Integration of Services – Staffordshire County Council

The UK's largest integration of local authority and NHS care services went live from 1 April 2012, when the Staffordshire and Stoke-on-Trent Partnership Trust became responsible for the majority of adult social and community healthcare within Staffordshire and all community healthcare in Stoke-on-Trent, delivering everything from physiotherapy to day care services.

The integration saw almost 1,000 social care staff and a budget of £153 million transfer from the county council to the new organisation.

The detailed arrangements to manage the service integration are contained in the section 75 legal agreement, made pursuant to section 75 of the NHS Act 2006 that will manage the contractual and governance arrangements between the county council and the trust.

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Ensuring effective governance of the section 75 agreement is key to safeguard both parties' interests and accountabilities with regard to the delivery and the commissioning of integrated services. A governance framework has been agreed and covers:

- political governance as well as day-to-day operational governance
- the need to establish effective integrated commissioning arrangements with the newly formed clinical commissioning groups
- performance management of the transferred services
- transformation to new integrated models of delivery
- a review and refresh of the governance arrangements so that the partnership arrangements which are the subject of the section 75 partnership agreement are organic and reflect changes in the commissioning landscape.

Following on from the above, the following summary details the three layers of governance in operation, including broad terms of reference:

- cabinet to trust board
- executive group
- partnership arrangements review group (PARG).

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Partnership arrangements

Governance Arrangements

Cabinet to Trust Board

Frequency	Quarterly
Broad Terms of Reference:	• Setting the strategic direction for the Partnership Arrangements; • Monitoring the strategic impact of integration; • Providing overall assurance on delivery; • To be the ultimate internal dispute resolution forum; • Sign off of strategic plans; • Change proposals that could have a significant impact on the Council and/or Partnership Trust, not resolved by the Executive Group.
Representatives	Cabinet and Trust Board nominees Also to attend: Respective Chief Executives and any advisor deemed necessary

Executive Group

Frequency	Monthly
Broad Terms of Reference:	• To ensure that outcomes for both Partners are delivered within Budget and in line with the requirements of the Partnership Arrangements. • To ensure delivery of the Aims and Outcomes, in particular integration and transformation of Services. • To make recommendations to the Cabinet to Trust Board Group. • To direct the establishment and activities of Project Teams. • To approve and review the Transformation Plan 2012 to 2015. • To be appraised of legislative and policy requirements etc which impact on, or are likely to impact on, the operation of the Partnership Arrangements and to report such as required to the Cabinet to Trust Board. • As part of the Transformation Plan in particular to approve and monitor a workforce transformation and organisation development plan. • Implement and monitor the Performance Management and Monitoring Framework, by exception, taking action within the remit of the Partnership Arrangements to deal with poor performance and to agree changes to same as required to reflect legislative and policy changes and in line with delegated authority. • To act as a formal resolution panel for Disputes referred from Authorised Supervisory Officers. • Ensure that Executive Group members are effectively supported to deliver these Terms of Reference and the requirements of the Partnership Arrangements. • Consider any change proposals which are not resolved by the PARG. • Subject to the general requirements below, members may undertake anything reasonably incidental to the above.
Representatives	Senior Leadership Team nominees and any advisor deemed necessary

Working Groups created by Executive Board as required

Partnership Arrangements Review Group (PARG)

Frequency	Monthly
Broad Terms of Reference:	• Review Performance (including contract monitoring and financial performance). • Agrees changes to the Performance Indicators. • Manages the preparation of detailed implementation plans together with ensuring appropriate impact assessments are completed which analyse the impact of the proposed Transformation Plan on this Agreement. • Manages Change Control within the Agreement; Reviews the Change log, and reports to the Executive Group both single changes, or changes it considers cumulatively, are significant.
Representatives	To be determined by the Executive Group

Project Teams created by PARG as required

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Employee Fraud

This case study was provided by the National Fraud Authority and first appeared on TISonline. For further information, please see www.tisonline.net/aboutus.asp

Between December 2010 and October 2011, a casual employee of a leisure centre claimed over £23,000 in salary in respect of hours worked. The employee, however, had not worked at all during the periods claimed and had forged the signature of the manager to enable the claims to be processed. The council was able to prevent the last two monthly claims submitted, amounting to approximately £6,000, from being paid, leaving approximately £17,000 overpaid.

The employee subsequently pleaded guilty in February 2012 and was sentenced to 12 months' community order under supervision by the probation service, and also 200 hours' unpaid community service.

A number of control issues were identified by internal audit during their investigation. These are recorded below with details of the action taken by management to minimise the risk of fraud in relation to salary payments:

- Signing in and out sheets were not being utilised to enable verification of the hours that staff were actually in attendance. Management have issued directives to all centres/pools to state that effective signing in arrangements must be in place.

- Managers failed to ensure that all hours claimed on the form were valid prior to signing; also, following approval of the form, blank lines were not cancelled to prevent additional items being added. Managers have now been instructed to ensure that they fully check all claims to supporting data to confirm the accuracy/validity of the claim.

- Managers failed to ensure that the timesheets were valid/accurately completed prior to forwarding to payroll for processing. Queries raised by payroll on a regular basis related to:
  - approval of claims where hours were overlapping
  - duplication of claims made
  - hours claimed as overtime and acting up at the same time
  - incorrect hours claimed
  - excessive shifts being claimed/approved, ie 14.5 hours in one day
  - incorrect working patterns.

- Managers have been instructed to verify the accuracy of the information included on the claim forms. This issue should be kept under review by senior managers to ensure that the reasons for any future errors are identified and action taken to prevent their reoccurrence.

- Managers failed to retain claim forms once authorised, prior to submitting them directly to payroll. Claims were being handed back to employees, who then took them to payroll and submitted them for payment. This, combined with the lack of check and cancellation of blank lines as detailed above, allowed the casual employee to amend/add hours that had not been worked. Instructions have now been issued to ensure that claim forms must be retained by the manager once authorised and submitted by them directly to payroll for processing.

- Queries raised by HR relating to staff working more than 48 hours per week were not followed up. Managers stated that this was because they were of the opinion that no

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members of staff were working in excess of the maximum allowed from the rotas held. However, this was because the casual employee was claiming for hours not worked. If managers had investigated the reason why HR was querying adherence to the working standards directives requirements, then the fraudulent submission of claims would have been identified earlier. Managers should ensure that where queries are raised by Payroll/ HR in future, they are considered fully and action taken to resolve the query in a timely manner.

- Effective budget monitoring was not in place. The issue of budget overspend was raised by the corporate finance team as the total budget for casual staff had been exceeded by £38,000 well before the year end. Managers are now aware that budget monitoring should be undertaken on a regular basis to ensure that anomalies are identified at an early stage.

The council also has a process in place whereby casual employees are terminated from its payroll following a period of six months' inactivity, ie they have not been called upon to work. There are justifiable reasons as to why six months is considered to be an acceptable timeframe. However, further work is required to understand how effective this process is with regards to the risk of fraud occurring. For example, if HR informs management of inactivity, then they will omit a casual employee who is fraudulently claiming. Compensatory controls such as budget monitoring should detect overpayments but this may not necessarily be immediately.

The council is currently in the process of improving automation within its payroll function, which should reduce the risk of fraud. Future salary claims by casual employees will need to be submitted electronically via the payroll system to their managers, who will be required to certify these electronically as well, thereby reducing the risk of forged claims.

Change Programmes – Bath and North East Somerset

Bath and North East Somerset Council is adapting to changes in government legislation while facing an aging population and increased unemployment. In tackling its challenges, the council is making significant efforts through its change programme in order to make financial efficiencies, work closely with partners and improve the quality of services through investing in its staff and technology.

The council has published a document demonstrating how it is achieving its goals. Two extracts are reproduced, showing how the council is working with its community and changing the way services are delivered. The full document can be found at www.bathnes.gov.uk/sites/default/files/sitedocuments/Your-Council/ChangeBrochure2014.pdf

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New approaches to working with the community

We are becoming a more strategic, commissioning organisation. This means our main focus will be on what our communities want and need, and we will work together to decide who is best placed to deliver the right services.

We are looking at what resources and capabilities the community already has and how the Council can help make things happen to benefit the community.

Some of the services we now deliver will be delivered by other organisations on our behalf.

As a council we will support service delivery where it is most effective for us to do so, particularly where there are vulnerable people or communities at risk.

Some of the services we now deliver will be delivered by other organisations on our behalf. Working with our communities and partners we are considering who is best placed to deliver services. Sometimes it might be the community itself, with support from the Council; sometimes it might be the Council and sometimes it might be another organisation.

We need to continue to ensure that services are value for money and in the best interests of the public.

What is Community-led Commissioning?

It is about changing the way that public services are provided locally.

Analyse: It starts by understanding what people want and need locally through effective research and intelligence.

Plan: We can then be clear about what outcomes we need to bring about for local people. These have to be prioritised (we cannot provide for every public need).

Secure services: The next stage is to find the provider of those services to bring about these outcomes – in other words, procure services. Sometimes the Council will be the best organisation to deliver, sometimes it will be better done through others. Increasingly we need to see the communities themselves as the best people to help provide services: this involves effective community engagement.

Review: The final stage is to monitor how effective all the above is at achieving the right outcomes for people. Which of course links back in to the initial stage of research and intelligence, making strategic commissioning a cycle that ultimately ensures people get the outcomes they need.

Listen and Engage: Throughout all of the stages its crucial that we listen to our communities' needs and ideas and engage them actively in the outcomes.

The changing shape of local government – giving more control to communities and organisations like schools (eg as academies) – makes this work all the more important.

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Bath & West Community Energy
- case study:

The Council has supported the establishment of Bath & West Community Energy (BWCE), a new social enterprise run by energy experts and community activists.

The new community company is supplying free solar energy panels for local schools and community buildings, and is also running a public share offer to raise £400,000.

This will be reinvested into local renewable energy technology – at first solar panels – attracting revenues from energy sales and Government incentives. The recipient of the solar panel receives the electricity generated by their panels for free.

A portion of any financial surpluses will be reinvested into a 'Community Fund' for further low carbon projects.
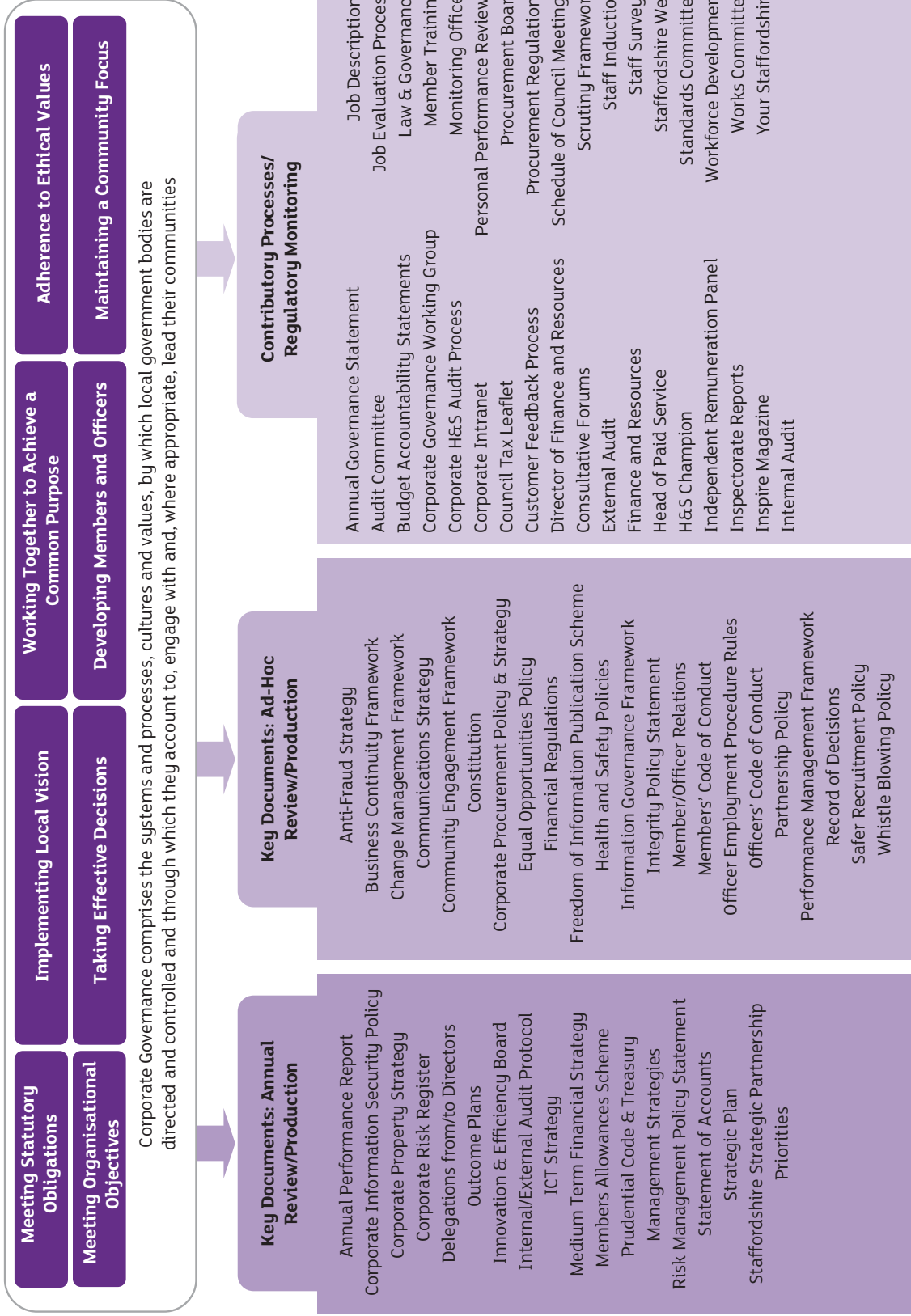
The Council intends to enter into a formal co-operation agreement with BWCE. There is the potential for BWCE to install solar electric panels on local schools and work with the Council to help achieve its renewable electricity targets.

Link to www.bwce.coop

Other Examples of Good Practice

- The London Borough of Havering currently has an officer governance group which meets quarterly. It is chaired by the section 151 officer and attended by the monitoring officer and other members of the corporate management team, with each directorate of the council represented. It provides the authority with a useful group which helps in putting action plans into place and driving governance in the right direction.

- Staffordshire County Council draws together on a single sheet all its systems, processes and documents that contribute to the authority's governance. The extent to which they are in place and effective is considered as part of the authority's annual review. The document is reproduced opposite.

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Staffordshire County Council Corporate Governance Framework
Principles, Statutory Obligations and Organisational Objectives

Meeting Statutory Obligations	Implementing Local Vision	Working Together to Achieve a Common Purpose	Adherence to Ethical Values
Meeting Organisational Objectives	Taking Effective Decisions	Developing Members and Officers	Maintaining a Community Focus

Corporate Governance comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities

Key Documents: Annual Review/Production

- Annual Performance Report
- Corporate Information Security Policy
- Corporate Property Strategy
- Corporate Risk Register
- Delegations from/to Directors
- Outcome Plans
- Innovation & Efficiency Board
- Internal/External Audit Protocol
- ICT Strategy
- Medium Term Financial Strategy
- Members Allowances Scheme
- Prudential Code & Treasury Management Strategies
- Risk Management Policy Statement
- Statement of Accounts
- Strategic Plan
- Staffordshire Strategic Partnership Priorities

Key Documents: Ad-Hoc Review/Production

- Anti-Fraud Strategy
- Business Continuity Framework
- Change Management Framework
- Communications Strategy
- Community Engagement Framework
- Constitution
- Corporate Procurement Policy & Strategy
- Equal Opportunities Policy
- Financial Regulations
- Freedom of Information Publication Scheme
- Health and Safety Policies
- Information Governance Framework
- Integrity Policy Statement
- Member/Officer Relations
- Members' Code of Conduct
- Officer Employment Procedure Rules
- Officers' Code of Conduct
- Partnership Policy
- Performance Management Framework
- Record of Decisions
- Safer Recruitment Policy
- Whistle Blowing Policy

Contributory Processes/ Regulatory Monitoring

- Annual Governance Statement
- Audit Committee
- Budget Accountability Statements
- Corporate Governance Working Group
- Corporate H&S Audit Process
- Corporate Intranet
- Council Tax Leaflet
- Customer Feedback Process
- Director of Finance and Resources
- Consultative Forums
- External Audit
- Finance and Resources
- Head of Paid Service
- H&S Champion
- Independent Remuneration Panel
- Inspectorate Reports
- Inspire Magazine
- Internal Audit
- Job Descriptions
- Job Evaluation Process
- Law & Governance
- Member Training
- Monitoring Officer
- Personal Performance Reviews
- Procurement Board
- Procurement Regulations
- Schedule of Council Meetings
- Scrutiny Framework
- Staff Induction
- Staff Surveys
- Staffordshire Web
- Standards Committee
- Workforce Development
- Works Committee
- Your Staffordshire

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Schedule to assist in putting the principles into practice

The following tables show:

- how the principles of good governance should be reflected

- the requirements that need to be reflected in a local code

- examples of systems, processes and documentation that may be used to demonstrate compliance (for illustration purposes only)

- self-assessment tools and useful references.

It should be stressed that authorities will need to assess how far their processes and documentation meet the criteria suggested, otherwise the exercise will become a box-ticking process rather than a qualitative exercise. One way to make the exercise more challenging would be to score the authority's arrangements on a scale of 0 to 10, where 10 represents very best practice. This would require the provision of qualitative and/or quantitative data on achievement against the requirements the local code should reflect. This could be done by adding two extra columns – one for a self-assessment score and one to add plans for improvement.

1. Core principle: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

	Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
1	Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	■ Develop and promote the authority's purpose and vision	■ Vision used as a basis for corporate and service planning ■ Community engagement and involvement ■ Communication strategy in respect of corporate objectives has been developed, approved and implemented
		■ Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements	Record of the review of: ■ the authority's vision ■ the governance code
		■ Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	■ Partnership protocol including an agreement on the role and scope of each partner's contribution ■ Strategic partnership priorities ■ Partnership arrangements
		■ Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	■ Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery ■ Annual financial statements
2	Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	■ Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	■ An agreed set of quality standard measures for each service element and included in service plans ■ Evidence that views of service users and non-users have been received ■ Evidence that views have been taken into account in service planning and delivery

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Put in place effective arrangements to identify and deal with failure in service delivery	■ Regular reports on the progress of service delivery ■ Performance trends are established and reported upon ■ Formal complaints policy and procedures exist and are operating effectively ■ Evidence that complaints have informed positive service improvement
3 Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	■ Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively ■ Measure the environmental impact of policies, plans and decisions	■ Clear corporate requirement and instruction on how to measure VFM ■ Corporate procurement policy and strategy ■ Comparison of information on the authority's economy, efficiency and effectiveness of services with that provided by similar organisations ■ Evidence that the results are reflected in the authority's performance plans and in reviewing the work of the authority

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

	Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
1	Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	■ Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice ■ Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers	■ Published job descriptions for the leader of the authority and chief executive ■ Member/officer protocol ■ Constitution
2	Ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard	■ Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required	■ Scheme of delegation reviewed at least annually in the light of legal and organisational changes ■ Standing orders and financial regulations which are reviewed on a regular basis
		■ Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	■ Statutory provisions ■ Conditions of employment ■ Up-to-date job description/ specification ■ Appraisal arrangements ■ Robust performance management system
		■ Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	■ Job descriptions ■ New chief executive and leader pairing consider how best to establish and maintain effective communication

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Make a senior officer (the section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	■ Section 151 responsibilities ■ Statutory provision ■ Up-to-date job description/ specification ■ The authority has complied with the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* and has reported on it accordingly in its annual governance statement ■ The authority has complied with the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations* and has reported on it accordingly in its annual governance statement
	■ Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	■ Monitoring officer provisions ■ Statutory provision ■ Up-to-date job description/ specification
3 Ensuring relationships between the authority, its partners and the public are clear so that each know that to expect of the other	■ Develop protocols to ensure effective communication between members and officers in their respective roles	■ Member/officer protocol

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel	■ Scheme for member remuneration and allowances ■ Robust pay and conditions policies and practices for employees ■ Structured pay scales reflecting competence ■ Established process for grading and appeals procedures
	■ Ensure that effective mechanisms exist to monitor service delivery	■ Key performance indicators have been established and approved for each service element and included in the service plan and are reported upon regularly ■ Reports include detailed performance results and highlight areas where corrective action is necessary
	■ Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	■ Business and financial planning processes established to deliver strategic objectives ■ Protocols for consultation ■ Statutory guidance is followed

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority ■ Ensure that there is clarity about the legal status of the partnership ■ Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	Protocols for partnership working mean that for each partnership there is: ■ a clear statement of the partnership principles and objectives ■ clarity of each partner's role within the partnership ■ definition of roles of partnership board members ■ line management responsibilities for staff who support the partnership ■ a statement of funding sources for joint projects and clear accountability for proper financial administration ■ a protocol for dispute resolution within the partnership

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CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (CIPFA, 2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (CIPFA, 2009)

SOLACE Statement on the Role of the Chief Executive (SOLACE, 2011)

'Working through partnerships briefing', on the Audit Commission website – www.audit-commission.gov.uk/nationalstudies/localgov/briefings/Pages/workingthroughpartnerships.aspx

The Association of Council Secretaries and Solicitors has a range of guidance – see www.acses.org.uk

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

Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	■ Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	■ Codes of conduct, annual governance statement ■ Conduct at meetings
	■ Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	■ Members'/officers' code of conduct which acknowledges professional bodies' codes of conduct ■ Performance appraisal ■ Complaints procedures ■ Anti-fraud and anti-corruption policies are up to date and working effectively ■ Induction for new members and staff on standard of behaviour expected
	■ Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	■ Standing orders, financial regulations and codes of conduct, all reviewed and updated on a regular basis ■ Register of interests (members and staff) ■ Provision of ethical awareness training ■ Procedures for dealing with conflicts of interest ■ Up-to-date register of gifts and hospitality

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
2 Ensuring that organisational values are put into practice and are effective	■ Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners	■ Codes of conduct ■ Evidence of communicating shared values with members, staff, the community and partners ■ Whistleblowing arrangements are in place and protect individuals raising concerns
	■ Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	■ Codes of conduct
	■ Develop and maintain an effective standards committee	■ Terms of reference ■ Regular reporting to full council ■ Examples of responding to complaints about behaviour
	■ Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	■ Decision-making practices ■ Evidence that shared values have guided the decision making
	■ In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	■ Protocols for partnership working ■ Evidence of agreed values

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'Illustrative text for local code of conduct', on the DCLG website – www.communities.gov.uk/publications/localgovernment/localcodeconduct

A template for a code of conduct and guidance are available on the LGA website – www.local.gov.uk/web/guest/media-centre/-/journal_content/56/10171/3376577/NEWS-TEMPLATE

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3. Although this dates back to the Accounts and Audit (Amendment) (England) Regulations 2006, authorities may still find it useful in compiling their annual governance statement.

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

Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
1 Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	■ Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisations for which it is responsible	■ The role of and responsibility for scrutiny have been established ■ Agenda and minutes of scrutiny meetings ■ Evidence of improvements to proposals as a result of scrutiny ■ An effective internal audit function is resourced and maintained
	■ Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	■ Decision-making protocols ■ Record of decisions and supporting materials ■ Record of professional advice in reaching decisions
	■ Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	■ Members' and officers' code of conduct which refers to a requirement to declare interests ■ Minutes showing declarations of interest were sought and appropriate declarations made
	■ Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	■ Terms of reference ■ Membership ■ Training for committee members

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	■ Complaints procedure ■ Evidence of changes/ improvements as a result of complaints received and acted upon
2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/ needs	■ Ensure that those making decisions, whether for the authority or the partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications	■ Discussion between members and officers on the information needs of members to support decision making ■ Agreement on the information that will be provided and timescales ■ Calendar of dates for submitting, publishing and distributing timely reports that are adhered to
	■ Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	■ The authority complies with the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* and reports accordingly in its annual governance statement ■ Record of decision making and supporting materials ■ Meeting reports show details of advice given
3 Ensuring that an effective risk management system is in place	■ Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs	■ Risk management protocol ■ Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis ■ Financial standards and regulations ■ Counter-fraud arrangements are in place and operating effectively

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Ensure that effective arrangements for whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access	■ A whistleblowing policy exists and is reviewed on a regular basis ■ The policy has been made available to members of the public, employees, partners and contractors
4 Using their legal powers to the full benefit of the citizens and communities in their area	■ Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities	■ Constitution ■ Monitoring officer provisions ■ Statutory provision
	■ Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	■ Record of legal advice provided by officers
	■ Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes	■ Monitoring officer provisions ■ Job description/specification ■ Statutory provisions

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Risk Governance (CIPFA Better Governance Forum, 2011)

See the scrutiny bibliography (page 63)

See the fraud bibliography (page 64)

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

	Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
1	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	■ Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	■ Training and development plan ■ Induction programme ■ Access to update courses/information/briefings on new legislation
		■ Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	■ Job description/personal specifications ■ Membership of the top management team
2	Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	■ Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	■ Training and development plan ■ Performance reviews of officers and members
		■ Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	■ Training and development plan reflects requirements of a modern councillor including: – the ability to scrutinise and challenge – the ability to recognise when outside advice is required – advice on how to act as an ambassador for the community – leadership and influencing skills

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan, which might for example aim to address any training or development needs	■ Performance management system ■ Staff development plans linked to staff appraisals
3 Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	■ Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	■ Strategic partnership frameworks ■ Stakeholders' forums' terms of reference ■ Area forums' roles and responsibilities ■ Residents' panel structure
	■ Ensure that career structures are in place for members and officers to encourage participation and development.	■ Succession planning

Bibliography

Shared Services: Where Now? A Guide to Public Sector Implementation (CIPFA, 2008)

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

	Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
1	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	■ Make clear to themselves, all staff and the community to whom they are accountable and for what	■ Community strategy
		■ Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	■ Establish a database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes
		■ Produce an annual report on the activity of the scrutiny function	■ Annual report
2	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	■ Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, and ensure that they operate effectively	■ Community strategy ■ Citizen survey
		■ Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	■ Record of public consultations ■ Processes for dealing with competing demands within the community

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Supporting principles	The local code should reflect the requirement of local authorities to:	Examples of evidence
	■ Establish a clear policy on the types of issue on which they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result	■ Partnership framework ■ Communication strategy
	■ Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	■ Annual report ■ Annual financial statements ■ Corporate plan ■ Annual business plan
	■ Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	■ Constitution ■ Freedom of Information Act publication scheme ■ Council tax leaflet ■ Authority website
3 Making best use of human resources by taking an active and planned approach to meet responsibilities to staff	■ develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	■ Constitution ■ Adherence to best practice standards in recruitment and staff terms and conditions

Bibliography

Governing Partnerships: Bridging the Accountability Gap (Audit Commission, 2005)

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Further information

ANNUAL GOVERNANCE STATEMENTS

Reporting

Delivering Good Governance in Local Government: Framework urges local authorities to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

From 2003/04, the Accounts and Audit Regulations required authorities in England to carry out a review at least once in a year on the effectiveness of their systems of internal control and to prepare and publish a statement on internal control (SIC) in accordance with 'proper practices'.

In England, from 2007/08 the wider CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* was accorded 'proper practices' status by the DCLG through non-statutory guidance.

The requirement to produce a SIC has subsequently been amended by the Accounts and Audit (England) Regulations 2011. Regulation 4(3) now requires all relevant bodies to prepare an annual governance statement which must accompany the statement of accounts. This requirement is reflected in the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* (CIPFA/LASAAC).

Key good practice features of an annual governance statement are described below:

- the statement has been properly approved[4]
- it is easily accessible by authority members and members of the public, eg through its prominent display on the authority's website
- it reflects the vision of the authority, ie the big picture and not the detail
- it demonstrates ownership by the authority – it has a high status within senior management
- it is a key document for showing how the authority is achieving its strategic objectives
- it demonstrates challenge

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4. The annual governance statement should normally be approved at the same time as, or very near to, and certainly no later than, the statement of accounts.

- issues are clearly articulated and it communicates a clear and concise message

- it clearly communicates what has been done to resolve significant control issues and what remains to be done

- actions identified are SMART (specific, meaningful, allocated, realistic and timely)

- it is a 'living' document, ie it is not focused exclusively on the year-end and communicates significant issues which may change from year to year.

Addendum to Delivering Good Governance in Local Government: Framework

The supplement included in the *Delivering Good Governance in Local Government: Framework* contains an example annual governance statement. In 2012, CIPFA/SOLACE issued an addendum, including an updated example showing an increased emphasis on a strategic approach focusing on outcomes and value for money. The example has also been updated to reflect Regulation 4(3) of the Accounts and Audit Regulations 2011, which requires all relevant bodies to prepare an annual governance statement rather than a statement on internal control.

EXAMPLES

There follow some recent annual governance statements that illustrate some of the points summarised above.

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Staffordshire County Council

The following extract is the first four pages from Staffordshire's statement. It is well written in a readable and open style.

ANNUAL GOVERNANCE STATEMENT 2010/2011

1. What we are responsible for

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper arrangements for overseeing what we do (this is what we mean by governance). These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. We have approved and introduced a Code of Corporate Governance. You can get a copy of the code from our website at www.staffordshire.gov.uk or from:

Law and Democracy
16 Martin Street
Stafford
ST16 2LG.

This governance statement explains how we have followed the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

2. The aim of the governance framework

The governance framework is basically the systems and processes, and the culture and values, we are controlled by and which we answer to, get involved with and lead the community. The framework allows us to monitor how we are achieving our long-term aims, and to consider whether our aims have helped us deliver appropriate services that are value for money.

The system of internal control is an important part of the framework and we have designed it to manage risk to a reasonable level. It cannot remove all risk of failing to achieve our policies and aims, so it can only offer reasonable protection. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks that could prevent us from achieving our policies and aims;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

We have had the governance framework in place from 1 April 2010, and up to the date we approved the statement of accounts.

3. The governance framework

Our governance framework is made up of the many systems, policies, procedures and operations we have in place to do the following.

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a Publish our aims for local people and others who use our services

We have revised our Strategic Plan called 'For your family, our community, and a prosperous Staffordshire' for 2011-2016. The plan sets out our plans for the next five years, focusing on achieving nine outcomes through an approach which places customers at the centre of all we do. The plan reflects the time period covered by the Medium Term Financial Strategy (MTFS).

The Strategic Plan is based on the following five key values which we will work towards in the future.

- Customer and citizen focus
- Listening and responding to local needs
- Encouraging personal responsibility while protecting those who need us
- Prepared to be bold and show leadership
- Provide efficiency and economy through innovation

The Strategic Plan is supported by the Outcome Delivery Plans. It is in these plans that we set out the measures, targets and activities that will help to achieve the outcomes contained in the Strategic Plan.

The Strategic Plan provides a focus for the organisation and makes sure that our resources are being directed towards achieving our outcomes, which will improve the quality of life for the people of Staffordshire and its economy. These outcomes, as set out in our Strategic Plan (2011-2016) are as follows.

- 'Staffordshire's economy prospers and grows, together with the jobs, skills, qualifications and aspirations to support it.'
- 'Staffordshire is a place where people can live safely- increasingly free from crime,the causes of crime and the fear of crime.'
- 'In Staffordshire communities, vulnerable people are able to live independent and safe lives, supported where this is required.'
- 'Staffordshire's children and young people can get the best start in life and receive a good education so that they can make a positive contribution to their communities.'
- 'Staffordshire is a place where people live longer, healthier and fulfilling lives.'
- 'Staffordshire is a place where people can easily and safely access everyday facilities and activities through the highways and transport networks.'
- 'Staffordshire communities can access, enjoy and benefit from a range of learning, recreational and cultural activities.'
- 'Staffordshire's people are involved in shaping the delivery of public services.'
- 'Staffordshire's communities are places where people and organisations proactively tackle climate change, gaining financial benefit and reducing carbon emissions.'

These outcomes are built upon efficient and innovative support services which make sure that we meet the needs of our customers in a consistent way.

We developed the Strategic Plan after speaking and listening to members of the public and our partner organisations. We have also taken into account:

- how we have performed compared to other local councils; and
- the views of those organisations that audit and inspect our performance.

Our outcomes within the Strategic Plan reflect those recently agreed by the Staffordshire Strategic Partnership as priorities tor all of Staffordshire's public services. All our cabinet members and directors have accountability statements that clearly link to the Strategic Plan.

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The Service Plans that support the Outcome Delivery Plans set out the specific objectives tor a particular service and will include the performance indicators which we use to measure our performance in achieving our outcomes. These plans then become work plans for employees.

b Review our aims and the effect they have on our governance arrangements

During the last year we have worked hard to communicate (and receive feedback on) our aims tor the community. We have done this in a number of ways, including:

- publishing our residents' magazine, 'Your Staffordshire', every three months;
- using the Staffordshire People's Panel;
- maintaining the Staffordshire Local Community Fund tor 2011/2012,giving councillors the opportunity to influence our spending and services in their local communities; and
- webcasting council and cabinet meetings on our website so that local people can see how decisions are made.

We get regular and detailed information on what people think about the quality of each of our services and by monitoring the compliments and complaints we receive. We use this information to help us make decisions. We used the feedback we got from the consultation on our budget to develop the Strategic Plan and the MTFS, and to set levels of council tax. This consultation resulted in us setting our outcomes, which reflect residents' top priorities of improving the economy, supporting our most vulnerable people, increasing community safety and improving the transport network. We have already introduced a travel card for older and younger people of the county.

It is our Corporate Governance Working Group's responsibility to make sure that our governance arrangements are consistent with, and support us in, achieving our aims.

c Measure the quality of our services and make sure we provide them in line with our aims and that they provide value for money

We have a Performance Management Framework which we use throughout the county council. This framework identifies the main areas involved in developing an effective system for managing our performance. This includes a performance management information system to support the framework and its aims.

As well as the cabinet, the Senior Leadership Team (SLT) and individual management teams, our reporting system gives the scrutiny committees a central role in monitoring our performance. The SLT and the cabinet receive a monthly performance scorecard against important indicators and activities. This allows them to act quickly when our performance seems to be slowing or even failing. Every three months, the SLT and the cabinet receive a full and detailed performance report that compares how we have delivered our services and managed our finances against the plans and, as a result, the Strategic Plan. A good example of this can be taken from the work that we do to reduce health inequalities across Staffordshire. A quarterly performance report indicated that we were not reducing the health inequalities of children and young people in a small number of hot-spots across Staffordshire. We and the organisations we work with responded to this by developing four local projects in the worst-affected areas. Each project takes a slightly different approach, but all aim to deal with the whole problem, and getting to the root causes of inequalities in the health of children, rather than dealing with the symptoms. Every six months, each cabinet member is held to account by the relevant Scrutiny Committee for their performance against the Strategic Plan and whether they have achieved the outcomes.

Each year we consider our performance. This coincides with our annual performance report, which we produce for the people of Staffordshire in the 'Your Staffordshire' magazine.

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Dorset County Council

This example from Dorset County Council clearly illustrates openness and transparency in reporting.

SCOPE OF RESPONSIBILITY

1.1.   Dorset County Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and that funding is used economically, efficiently and effectively. Dorset County 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.

1.2   In discharging this overall responsibility Dorset County Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

1.3   Dorset County Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. In 2010/11, additional requirements recommended by CIPFA in March 2010 were incorporated. A report on the code and the latest assessment of compliance with it are published on the Dorsetforyou website with the Standards Committee papers for 16 April 2012 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ. This statement explains how Dorset County Council has complied with the code. It also meets the requirements of regulation 4(4) of the Accounts and Audit Regulations (England) 2011 in relation to consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement.

2. The purpose of the governance framework

2.1   The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the 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.

2.2   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 meet the targets in our 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 Dorset County 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.

2.3   The governance framework has been in place at Dorset County Council for the year ended 31 March 2012 and up to the date of approval of the annual statement of accounts.

3. The governance framework

3.1   Some of the key features of the governance framework are set out in the following paragraphs.

3.2   The corporate plan sets out the contribution we will make to enabling communities in Dorset to thrive, now and for the future. From 2011/12 it has been explicitly linked to the budget, ensuring

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that the aspirations in the plan are realistic in the context of the funding constraints placed on the Council. The corporate plan is reviewed annually. This review takes account of feedback from surveys conducted with the public in Dorset on general satisfaction and specific service issues, including through our Citizens' Panel. It is also informed by consultation with a Staff Panel.

3.3   Delivery of the County Council's corporate plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

3.4   The Constitution of Dorset County Council establishes the roles and responsibilities for members of the executive (the Cabinet), Overview, Scrutiny, Regulatory and Standards Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. Proposed changes to the Constitution are overseen by the Standards Committee, which has a majority of independent external members and no Cabinet members. The Standards Committee's views on the suitability of any changes are reported when they are presented to the full County Council for approval.

3.5   The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of the County Management Team.

3.6   The primary counterbalance to our Cabinet is the Audit and Scrutiny Committee. The Committee provides a robust challenge to the Executive, including two calls to account during 2011/12 and a number of other reviews into activities where it considered that performance could be improved.

3.7   A complaints procedure and a whistle-blowing policy are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met. An annual report analysing complaints received and their resolution is presented to the Audit and Scrutiny Committee. The Standards Committee has responsibility for overseeing the investigation of complaints against members. There were no complaints made in 2011/12.

3.8   Further assurance of proper practice has been provided by the annual Ethical Governance Audit. The 2010 audit, carried out using the I&DeA's 'Governance Toolkit', produced a strong net positive response in all areas, leading to the conclusion that a high degree of reassurance about adherence to high standards of ethics and probity could be taken from the review. An audit was not undertaken in 2011, in view of the changes in the framework for ethical standards arising from the Localism Act. A decision on future audit arrangements will be made later in 2012.

3.9   The County Council has a strong risk management function. The risk management policy and strategy are reviewed annually. The Risk Management Group draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. The Corporate Risk Register has informed preparation of the list of governance issues later in this statement.

3.10   The Data Quality Action Plan established following the Data Quality Review carried out by our external auditors, KPMG, has been almost completely implemented. This is being followed by a concise Data Quality Policy and Checklist, to enable managers to ensure that data quality is maintained in the systems on which the Council depends to perform its duties.

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3.11   Training needs of members and officers are identified through appraisal and review processes. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council's needs. An extensive induction programme was put in place to ensure that newly elected members in June 2009 could quickly make an effective contribution to the work of the authority. A Policy Development Group on Member Development has been established, but progress in establishing and addressing the development needs of members has been slow.

3.12   The County Council is committed to partnership working. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset. Guidance on best practice in partnership governance has been adopted to ensure that partnership arrangements are as productive and secure as possible. The establishment of the Dorset Waste Partnership between the County Council and the six districts and boroughs is the latest major example of the positive outcomes achieved through partnership working.

4. Review of effectiveness

4.1   Dorset County 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 the findings and reports issued by the external auditors and other review agencies and inspectorates.

4.2   The Director for Corporate Resources has responsibility for:

- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice;
- reporting annually to the County Management Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

4.3   The Chief Financial Officer has responsibility for the proper administration of the County Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the County Council. Although currently the Chief Financial Officer reports to the Director for Corporate Resources, this does not impact on his powers and responsibilities in respect of the financial affairs of the Council or his role as a member of the County Management Team.[5]

4.4   Dorset County Council's Internal Audit Service, via a specific responsibility assigned to the Head of Internal Audit, is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment. Since April 2010, internal audit work has been carried out under contract by the South West Audit Partnership (SWAP). The Head of Internal

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5.   This paragraph explains that the authority's financial arrangements do not conform precisely with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*, but that this does not impact on the effectiveness of the chief financial officer in undertaking his role. Paragraph 4.5 explains that full compliance will be achieved upon the retirement of the current director for corporate resources.

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Audit's report for 2011/12 concluded: "Overall, I consider that Dorset County Council continues to maintain a sound risk management, governance and control environment."

4.5   On 26 April 2012, the County Council resolved that "the functions of the Director for Corporate Resources and the Chief Financial Officer be combined into one post from a date to be arranged." This will require alternative arrangements to be established for the statutory role of the Monitoring Officer, but is outside the period covered by this Annual Governance Statement.

4.6   The review of compliance with the governance framework has involved:

- review of the latest position on the core principles by lead officers;

- review of the overall assessment by the Corporate Governance Group;

- discussion of the draft compliance assessment and significant governance issues at all Directorate Management Teams and at County Management Team;

- review of the draft compliance assessment by the Standards Committee, the Audit and Scrutiny Committee and the Cabinet;

- consideration of the draft Annual Governance Statement by the County Management Team;

- review of the draft Annual Governance Statement by the Audit and Scrutiny Committee and (before approval of the annual accounts) the Ad Hoc Accounts Committee.

4.7   The County Council has also been advised on the implications of the review of the effectiveness of the governance framework by the Standards Committee and Audit & Scrutiny Committee. Plans to address weaknesses and ensure continuous improvement of the system are recorded in the annual compliance assessment.

5. Significant governance issues

5.1   Governance issues can be put into two groups:

(i)   elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

(ii)   issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

5.2   In the first group, there were no elements of the framework for which the judgement is that the County Council is non-compliant, but there are nine for which the judgement is only partial compliance and where improvement is necessary. This is a decrease by one from 2010/11.

5.3   Actions needed to achieve full compliance are largely covered by existing improvement plans. The issues and actions can be summarised as follows. More detail of the evidence is provided against the relevant core principles in the compliance assessment:

a)   Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners
In spite of the Council's success in establishing partnerships, there is still some inconsistency in the way they operate. This is due to be addressed through one of the projects in the Meeting Future Challenges (MFC) programme that has been established to deliver the savings and changes in working needed for the County Council to manage with reduced funding in the future. Governance arrangements for the major partnerships in which the County Council is involved are not a cause of concern, but there remains concern about the legal and financial basis of some other partnerships and potential confusion from imprecise use of the description "partnership".

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b)   Develop protocols to ensure effective communication between members and officers in their
      respective roles
      Timely and effective communication remains a concern for some members, particularly
      those serving on the Audit and Scrutiny Committee. However, in the last round of member
      development interviews, when this had been flagged as a topic for discussion, the majority did
      not raise concerns. The protocol has been relaunched and the Head of Legal and Democratic
      Services has visited each Directorate Management Team to stress its importance. Instances of
      failure to comply have been taken up with relevant officers by Directors and, where necessary, by
      the Chief Executive.

c)   Develop and maintain open and effective mechanisms for documenting evidence for decisions
      and recording the criteria, rationale and considerations on which decisions are based
      The data quality strategy and action plan have largely been implemented. A concise data quality
      policy and checklist is being developed to assist managers in establishing and maintaining
      databases. Currently there are a number of instances where data is either not available or the
      quality currently is not sufficiently reliable without devoting significant resources to on-going
      data cleansing.

d)   Assess the skills required by members, officers and managers [for their governance roles] and
      make a commitment to develop those skills to enable roles to be carried out effectively
      This relates to assessment and development of skills of members and officers, under the
      supporting principle "Developing the capability of people with governance responsibilities and
      evaluating their performance, as individuals and as a group." On-line training is being developed
      to help officers identify and undertake their specific governance responsibilities, which also
      should be considered during the Performance and Development Review (PDR) process.

e)   Develop skills on a continuing basis to improve performance, including the ability to scrutinise
      and challenge and to recognise when outside expert advice is needed
      This relates to the same supporting principle as above. Training for members is not always
      successful in achieving its aims and alternative approaches are to be considered.

f)   Ensure that effective arrangements are in place designed to encourage individuals from all
      sections of the community to engage with, contribute to and participate in the work of the
      authority
      The concern relates to engagement of all sections of the community in the work of the authority.
      The framework requirement relates particularly to membership of the authority, but the
      commentary in the compliance assessment records an example of success in achieving wider
      engagement and participation. Information for prospective candidates for election has been
      published on Dorsetforyou and in *Your Dorset* but a more active part in promoting the role of
      elected members has been left to political parties. Members have not previously felt that more
      direct efforts should be made by the County Council to promote greater representation from the
      equality groups. A decision will be needed on whether targeted information should be made
      available to equality groups before the next election to ensure that all sections of the community
      have the chance to put themselves forward for office.

g)   Ensure that career structures are in place for members and officers to encourage participation
      and development
      There has been good progress through the recent restructurings in ensuring that career structures
      for officers are in place. The main concern under this heading is whether career structures can
      and should be in place for members. Discussion of the compliance assessment in previous years
      has indicated that members do not generally consider that this is either feasible or appropriate.

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Despite some individual examples of members undertaking formal development, the slow progress of the Policy Development Group on Member Development suggests the position is unlikely to change soon.

h)   Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority

The concern is that reports are available, but their ease of use and accuracy it is not yet at the level required before responsibility is passed to budget managers, enabling accountancy input and support to their production to be reduced. Work is continuing to improve the accuracy and accessibility of the principal financial and management reports.

i)   Ensure that councillors' roles and responsibilities for monitoring financial performance / budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities

Opportunities for training and briefings are provided, frequently at members' request, but attendance is sometimes low. Workshops have recently been run to enhance understanding of the published accounts. Ad hoc opportunities will continue to be offered, but the planned skills audit has not yet taken place and the work by the Policy Development Group on Member Development, which is to be led by members, has been slow to gather pace. This will be discussed with group leaders.

5.4   The second group are issues that involve a significant financial or reputational risk to the County Council. A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. Many of the headings are the same as in previous years although the details change over time.

5.5   Significant issues in this group are [*headings only reproduced*]:

(i)   The County Council's budget and the impact of the economic downturn

(ii)   Risk of overspending, including pressures such as campus reprovision, learning disability services, services to older people, increased numbers of children in care, transport costs for pupils not in mainstream education and winter maintenance

(iii)   Repairs and maintenance backlog of buildings and roads

(iv)   Adult Social Care performance, including the impacts of funding changes through the County Council and the NHS and of the Social Care Act

(v)   Safeguarding of children and adults

(vi)   Outstanding claims

(vii)   Information security and governance (data protection)

(viii) Consultation and the use of evidence, including equalities issues

(ix)   Implementation of the Purbeck Schools review

(x)   Industrial relations, particularly with regard to employment terms and conditions, including the Local Government Pension Scheme

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5.6   We are satisfied that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks set out in section 5.5 will be monitored through the year by the officers' Governance Group and the Audit and Scrutiny Committee.

Chief Executive   **Leader**

September 2012

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London Borough of Barnet

The annual governance statement from LB Barnet is a good example of a clear presentational style that helps to tie together the narrative of the annual governance statement in an engaging way. Pages 1, 2, 3, 5, 13 and 22 are reproduced below.

ANNUAL GOVERNANCE STATEMENT

2011-12

1. Scope of Responsibility

- ■ Barnet London Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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 economy, efficiency and effectiveness.

- ■ In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.

- ■ Barnet London Borough 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. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

- ■ The Director of Corporate Governance completed his biennial review of the Code of Corporate Governance during 2010-11. The Code of Corporate Governance is included within Part 5 of the Constitution.

2. The Purpose of the Governance Framework

- ■ The governance framework encompasses 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 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 achievement of London Borough of Barnet 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 within Barnet London Borough Council for the year ended 31st March 2012 and up to the date of approval of the annual report and accounts.

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Assurance Cycle

Understand → **Plan** → **Do** → **Review**

What are we seeking to receive assurances on?

- Delivery against the corporate plan whilst observing the governance framework
- Management of the Council's key risks
- Design and effectiveness of internal controls
- Compliance with laws, regulation, internal policies and procedures
- Key governance tools are fit for purpose, for eg the performance management and risk management framework
- Value for money
- Direction of travel of previous governance issues

What sources of assurance do we require?

- Internal Audit Annual Plan
- CAFT Annual Plan
- External Audit Annual Plan
- Ofsted and Care Quality Commission
- Other external agencies
- Management assurances from active compliance frameworks
- Committees responsible for monitoring and reviewing the systems, processes and documentation

How we will arrange ourselves to receive adequate assurances?

- Officer and Member Structures working together
- Senior Management Teams close working with Executive Roles
- Decision-making bodies
- Statutory Officer Group
- Cabinet Resources Committee
- Scrutiny Committees
- Audit Committee
- Partnership/Delivery Boards
- Standards Committee
- Special Committee (Constitutional Review)

How we know that we are effective?

- Review sources of assurance identified at the Planning Phase
- Review Annual Reports that provide further insight such as: scrutiny committee report, audit committee annual report, task and finish groups
- Ensure sources of assurances have delivered against their plans at the necessary quality
- Internal and External Audit Annual Reports/Letters
- Highlight areas of weakness

Annual Governance Statement

Principle	Description of Governance Mechanisms	Assurances received
1. Identifying and Communicating the Council's Vision and Purpose	■ Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users: ■ The One Barnet Sustainable Community Strategy sets out the ten year vision for the borough ■ One Barnet Partnership Board works to the shared vision and oversees the other delivery boards that are tasked with leading on specific themes in the Strategy ■ The Corporate Plan expresses the vision and priorities of the council and this has been communicated to residents, service users, partners and other stakeholders ■ Delivery Boards: Safer Communities Board, Children's Trust Board, Health and Well Being Board continue to meet and are leading the development of integrated services around specific themes ■ The Council uses different performance measures (quality, outputs, value for money, customer satisfaction) to give an overview of council performance and stimulate improvement ■ A new governance structure around Partnerships and Partnership Boards was approved by Cabinet in February 2012	■ Performance Management Framework – information is published quarterly against the corporate priorities and targets and reported through Cabinet Resources Committee subject to call in by scrutiny committees ■ Externally reported data: Government Single Data List, London benchmarking and LGG Inform benchmarking available to support performance reporting ■ We publish strategic and service data online to enable residents to hold us to account ■ Internal Audit Plan linked to the overall objectives of the Council and the risks to their achievement ■ Employee Annual and Half-year review process linked to the Council's objectives ■ Governance paper on Strategic Partnerships, Cabinet February 2012

One Barnet Sustainable Community Strategy

– strong, safe communities for all

– investing in children, young people and their families

– healthy and independent living

– a successful London suburb

One Barnet approach

– relentless drive for efficiency

– new relationship with citizens

– one public sector approach

Barnet Council's corporate priorities

– better services with less money

– sharing opportunities, sharing responsibilities

– a successful London suburb

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Governance Issues – Progress

The table below describes the governance issues identified during 2010-11 and the progress made against these during 2011-12:

Key improvement area	Lead officer	Update on position	Carry forward for 2011-12
An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance, data processing and management.	Commercial Director	The Information Management Strategy was approved by the Information Governance Council in November 2011.	Complete.
Contract Management/ Procurement – work is underway to ensure that the Council has an accurate and complete contracts register and that centrally there is a process to monitor spend in accordance with the contract procedure rules (CPR).	Commercial Director	Monitoring of compliance is now a regular activity across the service areas and a centrally held contract's register is in place. Contract management and supplier relationship management will now be implemented which will lead to good procurement practice across the Council. Recommendations identified in the April audit will be closed by end of July.	Internal Audit – Limited Assurance issued in April 2012, carry forward to 2012-13.

Appendix A: Published Sources of Assurance

- Code of Corporate Governance – Part 5 of the Constitution
- Corporate Plan 2012-13, specifically the equalities page 18
- Quarterly Performance Reports 2011-12
- Internal Audit, Risk Management and CAFT Annual Plan 2011-12
- Internal Audit Annual Report 2011-12
- Pay Policy 2012-13
- CAFT Annual Report 2011-12
- External Audit Annual Audit Letter 2010-11
- Overview and Scrutiny Annual Report 2011-12
- Task and Finish Group reports

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- Audit Committee Annual Report 2011-12
- Audit Committee Terms of Reference and workplan 2011-12
- Governance of Strategic Partnerships, Cabinet February 2012
- Ofsted report into Safeguarding and Looked After Children 2012
- Citizen Panel Annual Report 2012
- Local Account for Adults Social Care and Health
- Statement of Accounts and Medium Term Financial Strategy
- Residents Perception Survey 2011
- Review of residents forums and area sub committees, April 2011
- Committee minutes, agendas and reports 2011-12

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THE ROLE OF SCRUTINY

Introduction

The Local Government Act 2000 brought in new arrangements that defined a scrutiny role for elected members sitting on the overview and scrutiny committees in holding the politicians who formed the executive or cabinet to account, and in scrutinising the work of other agencies providing local services. There became a clear distinction between the executive's role in proposing and implementing policies, and the role of non-executive members in reviewing policy and scrutinising executive decisions.

The overview and scrutiny committees were given powers to study decisions and policies of bodies other than councils operating in their areas and to require council officials and cabinet members to attend and answer questions. They are able to make recommendations and propose changes to be considered by the executive.

Through the scrutiny process, councillors have been given significant power to hold their partners to account. The Health and Social Care Act 2001 gave councils responsibility for scrutinising local NHS trusts, including primary care trusts. Powers were further expanded by the Police and Justice Act 2006, which provided powers to scrutinise the work of crime and disorder reduction partnerships. The Local Government and Public Involvement in Health Act 2007 and the Local Democracy, Economic Development and Construction Act 2009 gave powers to local government to scrutinise other partner organisations, including bodies such as the Environment Agency. It also brought in provisions that affect how scrutiny committees work, including powers over the creation of joint committees, and powers to resolve local problems through the 'councillor call for action'.

The Localism Act

The Localism Act 2011 consolidated the content of the 2000, 2001, 2007 and 2009 Acts referred to above. It involved some minor amendments, particularly in the powers of district councils and the role of scrutiny in relation to local partners.

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Through the Localism Act, the government is encouraging greater use of the directly elected mayor model of governance. A role focusing on long-term strategic decisions is envisaged, bringing together different agencies to facilitate improved public services. A partnership-focused mayoral model would need to be accompanied by strong overview and scrutiny of partnerships.

At the same time, the Localism Act permits local authorities to choose to introduce a committee system for decision-making purposes which may (although this is not a requirement) operate a system for scrutiny and review.

It remains essential, however, that local authorities, whatever form of governance structure they choose, should benefit from a culture of (and structure for) scrutiny. Authorities electing to adopt a committee system will need to ensure that they are able to exercise their scrutiny powers around healthcare, social care and health improvement, crime and disorder and external partners, as well as independent challenge to decisions made by their committees, effectively. Authorities will need to think through how a system of checks and balances will work in order to ensure their committees drive forward improvements whilst mitigating risks.

Challenge and scrutiny contribute to good governance by being a key part of accountable decision making, policy making and review.

Principles of Good Scrutiny

The Centre for Public Scrutiny has established four core principles of good scrutiny. It:

- provides critical friend challenge to executive policy makers and decision takers
- enables the voice and concerns of the public
- is carried out by independent-minded councillors who lead and own the process
- drives improvement in public services.

Local authority overview and scrutiny committees have the power to summon members of the executive and officers of the authority before it to answer questions, and are able to invite other persons to attend meetings to give their views or submit evidence.

The role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. This is different from the role of the audit committee, which exists to provide independent assurance that there are adequate controls in place to mitigate key risks and to provide assurance that the authority, including the scrutiny function, is operating effectively. That said, an audit committee's judgements may well be informed by the results of scrutiny within the authority.

The scrutiny function has the following legislative roles:

- holding the executive to account
- policy development and review
- external scrutiny – scrutiny committees have the power to consider matters that are not the responsibility of the local authority, but which affect the authority's area or its inhabitants.

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Scrutiny and overview committees may also:

- provide satisfying and meaningful roles for non-executive members
- consider general performance, management and review
- ensure corporate priorities are met
- monitor and revise the constitution
- engage partner organisations, the public and the press.

Making Scrutiny Effective

In its publication *Leadership of Place: The Role of Overview and Scrutiny*, the Leadership Centre for Local Government identified three themes for improved scrutiny:

- **leading beyond authority boundaries** – being willing to look outward, beyond scrutiny of the council executive to scrutiny of all agencies whose activities affect their local place
- **authority recognition of and support for scrutiny** – the sign of a mature authority and its leadership is a willingness to be challenged and to see robust (and resourced) challenge as a necessary part of good governance
- **members taking responsibility for their own effectiveness** – scrutiny must be led and owned by elected members and there is much that members themselves can and should do to improve their own performance, skills and capacity.

In 'Holding politicians to account? Overview and scrutiny in English local government',[6] some further suggestions for enhancing scrutiny were considered and are summarised below.

Member leadership and engagement

Chairs and members need to be willing to challenge the executive through questioning on topics of local relevance where there is a realistic prospect of influencing change.

To maximise the effectiveness of meetings, the chair and vice-chair should work with the scrutiny officer to decide how to structure meetings, who to invite and how the investigation should be concluded.

The chair will need to be:

- appropriately knowledgeable and skilled to be able to manage the meeting
- firm and tactful with those answering questions
- able to understand technical issues quickly
- able to lead, inspire and motivate the team
- a visible champion for scrutiny, raising its profile internally and externally
- proactive.

The chairs and members will need appropriate training.

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6. By Andrew Coulson and Philip Whiteman, published in the May 2012 edition of *Public Money and Management*.

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A responsive executive

The chair must be able to maintain a relationship with the corresponding members of the executive and with senior officers.

The committees should not be, or seen to be, controlled by the executive.

In turn, the executive should receive the reports from the committee sympathetically and act upon them as appropriate in order to effect improved outcomes in service delivery.

Genuine non-partisan working

Although this is not a formal requirement, the process can work more effectively when a committee can present a report with sound recommendations based on the best evidence available with all-party support.

Effective dedicated officer support and management of the process

Scrutiny is unlikely to be effective without the support of capable officers. Their duties include:

- working with the committee chair and vice-chair
- planning research
- preparing background reports
- inviting and briefing witnesses
- writing draft reports.

They will need to have:

- excellent research skills
- knowledge of the local area
- an interest in local and general affairs
- a diplomatic approach.

A supportive officer culture

Good scrutiny depends on people willing to share and expect something constructive from the process. Concerns need to be taken seriously and where relevant incorporated into appropriate recommendations.

A high level of awareness and understanding of the role of scrutiny

The function of scrutiny and the role of the committee need to be understood throughout the authority, and public awareness raised. It should be made clear that it is not a substitute for an audit committee.

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Musical Chairs: Practical Issues for Local Authorities in Moving to a Committee System (Centre for Public Scrutiny, 2012)

FRAUD

Introduction

In 2010/11, fraud cost the UK economy an estimated £38.4bn, with fraud against the public sector accounting for 55% of all UK fraud losses. It has been estimated that there were losses of £21.2bn for the public sector overall and £2.1bn specifically in local government. Fraud can be a major risk to councils both financially and reputationally and needs to be considered as part of formal risk management processes.

Local authorities are urged to make use of the guidance, toolkits and websites available to them in developing robust processes for countering fraud.

Key Steps for an Effective Fraud Strategy

The Better Governance Forum's briefing *Developing Corporate Anti-Fraud Capability in the Public Services* sets out the rationale for developing or improving a corporate anti-fraud strategy. It identifies the key steps to be taken which are outlined below. The full briefing is at www.cipfa.org/-/media/files/hot%20topics/fraud/cipfa_corporate_antifraud_briefing.pdf

Identifying and understanding fraud risks and potential exposure to fraud loss

The first stage is to understand the different types of fraud risk and which parts of an authority may be most vulnerable to them. Some types of fraud relate to many different parts of an organisation, such as fraudulent expense claims, and some are specific to a certain service, for example tenancy fraud. Fraud may be external to the organisation or internal. It may involve collusion. The perpetrator may be an individual or someone acting as part of a group.

Compiling a 'map' of fraud risks will help organisations understand the level of fraud loss to which they may be exposed. Use of external data such as the National Fraud Authority indicators may help.

Assess current resilience to fraud

Once the full extent of risks is understood, an organisation should then consider how resilient it is to those risks. Overall levels of assurance can be evaluated from the arrangements in place that have a cross-cutting impact, such as co-operation, awareness and attitude to fraud. Good levels of internal control – such as separation of duties and protection of core data

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from unauthorised access – are essential for managing fraud risks. Developing an anti-fraud culture is an important part of improving resilience. Examples of key components include top-level commitment and educating staff about the risks of fraud in their areas.

Evaluate the organisation's ability to respond to potential or identified fraud

An effective response to fraud does not just involve the conduct of an investigation; it should also include measures to detect potential frauds or action such as awareness campaigns.

The investigation of fraud should only be taken by properly trained and skilled fraud investigators. Ideally the fraud investigation resource will have experience of a wide range of fraud types and good knowledge of the service areas involved.

Develop a strategy

An effective anti-fraud response will include key objectives and developments needed. It will outline the core benefits that should accrue to the organisation and the key actions that are required to establish or enhance an anti-fraud capability that can respond to the organisation's level of risk. It will also include detail on the resources required, a timetable and performance measures.

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MAINTAINING STANDARDS

Introduction

The Localism Act 2011 repealed most of the standards provisions in the Local Government Act 2000, including the statutory code of conduct, the Standards Board and legal requirement to have a standards committee. The Act instead imposed a duty on local authorities to promote and maintain high standards of conduct by members and co-opted members and an obligation to adopt a code of conduct consistent with the Nolan principles, but otherwise provided wider flexibility, reflecting localism principles, for authorities to meet the new duty structurally, and through arrangements for investigating complaints. New criminal offences have also been created dealing with the non-notification and non-disclosure of 'disclosable pecuniary interests', improper participation in authority business and the provision of false and misleading information.

Duty to promote and maintain high standards of conduct

This new duty introduced in the Localism Act links with the third principle of the CIPFA/SOLACE Framework – *Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct* – and its supporting principles. Shared values that become integrated into the culture of an organisation and are reflected in behaviour and policy are hallmarks of good governance.

Code of conduct

CIPFA believes that codes of conduct for members are an essential component of good corporate governance for all public service bodies as they define the values and standards of behaviour expected of individuals. In our view, nationally set codes of conduct can be used to promote consistent standards of conduct and probity, and to provide assurance for community stakeholders. Their existence helps minimise lapses and provides a framework for personal accountability. Basic standards and practices should be consistent across the sector.

DCLG has published an illustrative text setting out what a council's code of conduct might look like under the Localism Act 2011, available at www.communities.gov.uk/publications/localgovernment/localcodeconduct

The LGA, with support from SOLACE and ACSeS, has published a template for a code together with guidance identifying expectations intended by the code, available at www.local.gov.uk/web/guest/media-centre/-/journal_content/56/10171/3376577/NEWS-TEMPLATE

Standards Committee

A standards committee at a local level provides a mechanism for complaints to be investigated. It should act as a disincentive to misconduct through objective overview and complaints handling. Local standards committees, among other things, should help promote confidence in local democracy. To be effective, they must be chaired by an independent

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person appointed through open competition, who is able to command the trust of all political parties and of the public.

Duty to Promote and Maintain Standards

As well as ensuring compliance with the provisions of the Localism Act, authorities should consider how they will fulfil the new duty to promote and maintain standards. The following actions will help support the achievement of this new duty:

- Providing a system to record gifts and hospitality and to advise on acceptable limits. The register should be subject to regular review and public reporting.

- Providing ethical awareness training to all new/co-opted members and regular updates for existing members.

- Providing guidance to members on the application of codes of conduct and other aspects of the ethical framework when participating in partnership bodies or other representative roles.

- Undertaking periodic surveys of members and key officers who interact with members to obtain their views on the application of the ethical framework in practice and to identify any concerns or learning points.

- Ensuring that the annual governance statement provides clear accountability for fulfilling the duty.

- Properly and effectively applying arrangements for investigating and deciding on allegations of breach of code made against members.

AUDIT COMMITTEES

Introduction

Local authorities have the freedom to make their own judgements about appropriate governance arrangements and to justify their decisions through the relevant accountability channels. However, it is important that the respective committees are clear about their roles and responsibilities and that there is a clear distinction in their terms of reference. This will avoid confusion, disputes and possible duplication. Furthermore, committees are likely to be more effective if they are required to focus on their own defined areas of business.

Audit committees are currently not mandatory in local government, although most authorities now have them. The focus of an audit committee is to oversee financial processes, audit and risk management. The CIPFA publication *Audit Committees: Practical Guidance for Local Authorities* (2005)[7] recommends that the audit committee will:

- consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements

- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors

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7. CIPFA will be looking to update this guide in 2013 to take account of changes to local government audit.

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- be satisfied that the authority's assurance statements properly reflect the risk environment and any actions required to improve it

- approve (but not direct) internal audit's strategy and plan, and monitor performance

- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary

- receive the annual report of the head of internal audit

- consider the reports of external audit and inspection agencies

- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted

- review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

Benefits of an Audit Committee

Good governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an audit committee, independent of the executive and scrutiny functions. The audit committee can have a significant role in:

- helping to ensure an authority achieves value for money (this is explored more fully in the Value for Money section on page 69)

- giving additional assurance through a process of independent and objective review

- helping to improve the adequacy and effectiveness of risk assessment, risk management and internal control

- reinforcing the objectivity, importance and independence of internal and external audits and therefore the effectiveness of the audit function

- raising awareness of the need for sound control and the implementation of recommendations by internal and external audit

- ensuring effective arrangements exist for enabling a whistleblower to report irregularities.

With the above points in mind, some examples of the type of questions that audit committee members might ask when discussing these subjects follow.

Questions for Audit Committee Members to Ask: Governance

The following section highlights the types of questions that an audit committee might ask related to the six principles of good governance.

1 Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Does the internal audit strategy meet our needs?

Are the authority's key risks still relevant to the current strategic objectives?

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2 Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

Does the internal audit reporting line ensure that audit recommendations are given due weight and attention?

How are external auditors co-ordinating their work with the authority's internal auditors?

Is a common definition of risk used across the authority?

3 Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Are the internal auditors free from any other responsibilities that could impair their independence?

Are procedures followed consistently with the need to achieve value for money?

What steps are being taken to discharge the duty to promote and maintain high standards of conduct?

4 Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Do internal and external auditors receive the necessary degree of co-operation?

Where internal audit budgets are being reduced, how will the level of assurance be maintained?

Have there been any attempts to restrict the scope of the internal auditors' work in any way?

How is the efficiency and effectiveness of internal audit demonstrated?

Do the internal or external auditors have any concerns about management's control awareness or operating style?

Does the audit committee have all the assurances it needs to meet its responsibilities and ensure the authority meets its statutory duties?

Is there effective assurance across all key areas?

Is the audit committee over-reliant on internal and external audit for assurance? Are there other sources of assurance that should be considered?

Have all staff had the opportunity to contribute to identifying the risks the authority faces?

Is risk management part of all planning and decision-making processes?

Is risk management integrated with the authority's other procedures?

Are appropriate procedures in place to ensure adequate user involvement in the development of new systems and major systems changes, including the design of control checks and balances?

Has the authority implemented national counter-fraud standards?

5 Good governance means developing the capacity and capability of members and officers to be effective

Are there appropriate training and induction procedures for audit committee members?

Does the audit committee periodically assess its own effectiveness?

Do internal audit staff have sufficient technical and professional knowledge and experience to ensure that audits are performed to appropriate professional standards? Is there sufficient systems expertise to deal with the level of technology used by the authority?

Does the authority run training sessions on risk management for new staff?

Has the authority assessed itself against the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*? Are there any issues to address?

Has the authority assessed itself against the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations*? Are there any issues to address?

6 Good governance means engaging with local people and other stakeholders to ensure robust local public accountability

Does the authority's annual governance statement reflect reality?

Does the annual governance statement reflect compliance?

Are there areas where the authority does not comply with relevant guidance?

Did any circumstances prevent adherence to the agreed timetable for preparing and auditing accounts? Did any delays result in an audit overrun?

Do the authority's financial statements satisfy all statutory and regulatory disclosure requirements to which the authority is subject?

Value for Money

Value for money is often referred to as the three Es – economy, efficiency and effectiveness. While the responsibility for achieving value for money rests with management, the audit committee can have a crucial role in overseeing arrangements for securing value for money. It can do this in a number of ways:

- reviewing the value for money strategy of the authority
- commissioning individual value for money reviews to look at specific areas
- considering reports from the internal auditor on value for money arrangements; internal auditors should also examine controls aimed at ensuring value for money when carrying out reviews aimed at examining systems and controls
- examining the applicability of available value for money good practice guidance.

Questions for the audit committee to ask in relation to value for money include:

- Does the authority have a value for money strategy?
- What work on value for money is being carried out by the internal auditors?
- What additional work on value for money is being carried out?
- What management processes have been adopted to ensure value for money is achieved?

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- Do the internal auditor's annual report and the audit committee's annual report comment on value for money?
- Can the authority identify how much money it has saved through its value for money initiatives?

Ensuring Effectiveness

For audit committees to be effective, they should have:

- clear, distinct and up-to-date terms of reference
- an appropriate place within the governance structure of the authority and effective reporting arrangements
- members that are fully aware of their role, appropriately trained and independent minded
- a skilled chair supported by members with financial and audit expertise
- an appropriate balance of expertise, experience, continuity and political neutrality to discharge its responsibilities
- officer support (including a secretary role)
- a clearly set out and agreed (but flexible) annual work plan
- a wide-ranging agenda that reflects the governance, risk and control priorities of the authority
- access to other committees/information as required
- agenda papers circulated well in advance of the meetings
- meetings arranged on a regular basis
- engagement with a wide range of services in accordance with the risks under review
- regular assessment of performance as a committee.

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THE GOVERNANCE OF RISK

Introduction

Risk is the uncertainty that an event or an action will adversely affect an organisation's ability to achieve its objectives and to execute successfully its strategies. An organisation's risk management framework provides the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.[8]

The risk management framework is embedded within the organisation's overall strategic and operational policies and practices and hence forms a key part of the system of governance. Risk governance examines how risk management is integrated into the governance arrangements. A key part of the leadership of risk management is the responsibility of the governing body to ensure that it is satisfied with the management of risk and its ownership of and accountability for the strategic risks of the organisation.

Definition

Risk management can be defined as *'coordinated activities to direct and control an organization with regard to risk'.*[9] It is not about being 'risk averse' but is about being 'risk aware'.

The Responsibility of the Governing Body for Risk Governance

The authority is responsible for the governance of risk and will need to determine its risk tolerance – the maximum level it is willing to take regarding each relevant risk, and its risk appetite – the amount and type of risk it is prepared to accept in pursuit of its objectives. This also includes maximising opportunities. An authority should not be so risk averse that it misses out on opportunities.

The authority needs assistance in carrying out its risk responsibilities. It is not common practice in local government to constitute a formal risk committee. However many authorities do have corporate risk groups. Such groups may advise and support those responsible for the management of risk and will also have oversight of the overall risk profile of the organisation. The group may have a role in advising the executive/leadership team on its risk tolerance and risk appetite and the current risk profile and the implications for the authority's strategic objectives. The role of an audit committee in relation to the governance of risk will be to monitor the effectiveness of these arrangements, keep up to date with the current risk profile and support the development of effective risk management practice. This can be achieved through an audit committee convened in accordance with best practice identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities.*

The authority needs to delegate the responsibility to design, implement and monitor the risk management plan to management. Good governance requires that risk management is embedded into the culture of the organisation, with members and managers at all levels

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8. *Risk Management: Principles and Guidelines* BS ISO 31000:2009 (BSI).

9. *Risk Management: Principles and Guidelines* BS ISO 31000:2009 (BSI).

recognising that risk management is part of their job. At the highest level, risk management must be closely aligned to the organisation's strategic objectives, ensuring that there is a clear focus, at the top of the organisation, on those significant risks that would prevent the organisation achieving its key business objectives. An authority should, therefore, be able to demonstrate that risk management has been embedded in its corporate business processes, including:

- strategic planning

- financial planning

- service delivery

- policy making and review

- project management

- performance management.

The governing body needs to ensure that risk assessments are performed on a continuous basis. Risks should be prioritised and ranked to capture the organisation's risk profile. To enable effective strategic risk management, the number of significant business risks should be limited to those that are considered business critical – say the 10 to 20 top risks. Above this, it becomes more difficult to manage and monitor risks effectively.

To ensure effective governance of risk, there should be a clear relationship between the strategic risks faced by the authority and the organisational strategy. There should be clear ownership of the strategic risk profile by the leadership team.

An organisation's risks will change over time as its objectives and service delivery arrangements change, in response to either local issues or national policies. Over recent years, accompanying the move to more complex ways of operating, and the economic downturn, there has been an increase in the levels of risk local authorities are facing as a result of:

- reduced resources available to them

- changing governance structures/decision-making processes

- new ways of working including joint boards/committees

- partnership and third sector provision/involvement, including subsequent contractual risks.

Risk management arrangements must be flexible enough to respond to these changes; at the same time the response should be proportionate. What is seen as a low-level operational risk today may be tomorrow's significant business risk.

Transparency and Accountability for Risk

While some operational risks and their management may need to be kept confidential (for example risks that contain personal data or that are exempt under the Freedom of Information Act), authorities are encouraged to be open to the public and other stakeholders about the strategic risks they face and how they propose to manage them. Public documents including the corporate strategy, an annual report, explanatory foreword to the accounts and the annual governance statement can be used to assist the communication of risks to the public and other stakeholders.

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Questions for Audit Committee Members to Ask: Risk

Do we understand how risk appetite and tolerance are applied in our authority?

How do we know that the largest risk management exposures in our authority are being managed effectively?

Are risks prioritised and ranked to focus on those risks outside the authority's risk tolerance limits?

How does the authority ensure that new ideas are considered and opportunities are not missed? Is innovation encouraged?

If the level of resource available to risk management is to be reduced, how will the authority's risk management strategy be adapted?

Are there processes in place enabling timely, relevant, accurate and accessible risk disclosure to the authority's stakeholders?

How has the authority satisfied itself that risk assessments, responses and actions are effective?

Does the authority undertake horizon scanning to identify longer-term risks as well as unexpected or unusual risks?

Bibliography

The Alarm National Performance Model for Risk Management in the Public Services (Alarm, 2009)

Managing Risks in Government (National Audit Office, 2011)

Risk Appetite & Tolerance Guidance Paper (Institute of Risk Management, 2011)

Risk Culture Under the Microscope: Guidance for Boards (Institute of Risk Management, 2012)

Risk Governance (CIPFA Better Governance Forum, 2011)

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Principles of good governance: summary

THE CADBURY REPORT (1992)

The Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) identified three fundamental principles of corporate governance as:

Openness: An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.

Integrity: This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.

Accountability: This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

The Cadbury Report defined these three principles in the context of the private sector, and, more specifically, of public companies, but they are as relevant to public service bodies as they are to private sector entities.

THE NOLAN COMMITTEE (1995)

Aspects of corporate governance in the public services have been addressed by the Committee on Standards in Public Life (the Nolan Committee, today chaired by Sir Christopher Kelly) which was established in 1994 to examine concerns about standards of conduct by holders of public office. Standards of conduct are regarded as one of the key dimensions of good governance. The first report, published in May 1995, identified and defined seven general principles of conduct which should underpin public life, and recommended that all public service bodies draw up codes of conduct incorporating these principles. The principles of public life are:

Selflessness: Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

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Integrity: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness: Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.

Honesty: Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership: Holders of public office should promote and support these principles by leadership and example.

GOOD GOVERNANCE STANDARD FOR PUBLIC SERVICES (2004)

In 2004, the Independent Commission on Good Governance in Public Services published a set of common principles that it wants all public sector organisations to adopt. The commission, set up by CIPFA in conjunction with the Office for Public Management, says there should be a common governance standard for public services similar to the private sector's UK Corporate Governance Code (formerly the Combined Code).

The *Good Governance Standard for Public Services* builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it recommends should underpin the governance arrangements of all bodies:

- a clear definition of the body's purpose and desired outcomes
- well-defined functions and responsibilities
- an appropriate corporate culture
- transparent decision making
- a strong governance team
- real accountability to stakeholders.

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Lincolnshire COUNTY COUNCIL
Working for a better future

Regulatory and Other Committee

Open Report on behalf of David O'Connor, Executive Director Performance and Governance	
Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Combined Assurance Status Reports**

Summary:

The aim of this report is to provide the Audit Committee with an insight on the assurances across all the Councils critical services, key risks and projects.

Recommendation(s):

That the Committee:

Notes the current status of the Executive Directors' assurance regime and makes recommendations on any further scrutiny requirements or actions.

Background

1. These reports aim to provide an insight (snapshot) on what assurances are currently in place on areas of the business that matter most ie.

   'have a significant impact on the delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people'

2. The combined assurance gives an overview of assurance provided across the whole Council – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance 'unknowns or gaps'.

3. Internal Audit have triangulated information to help ensure that it 'stacks up' and applied some constructive challenge on the assurance opinions being given **but** as accountability rests with management it is senior managers views that have determined the overall assurance status. This is in line with a control environment that promotes a culture where we:
   - take what we have been told on trust
   - encourages accountability with those responsible for managing the service
   - provide some independent challenge / insight where appropriate.

4. The detailed Combined Assurance Status Report for can be found in the Appendices.

5. The Committee is requested to consider the reports and the adequacy of the assurances given and any improvement actions.

Conclusion

6. Overall there is a high level of positive assurance on our critical systems, key risks and projects.

7. We identified no significant gaps in our assurance arrangements - with most being provided by management. This is supported by a good level of corporate / third party and independent assurance by Internal Audit. This helps increase the level of confidence that our 'business as usual systems' are working effectively.

8. Where concerns have been raised these have been addressed within the suggested next steps section of the report.

9. The business intelligence obtained from the combined assurance model will:
   - inform the Council's Annual Governance Statement 2014
   - streamline and avoid duplication of effort where assurance can be drawn from a third party or other sources
   - inform the Internal Audit Strategy. The Management Board / Audit Committee will need to determine the level of assurance / frequency of assurance it requires on the Council's critical systems from Internal Audit
   - help focus the Internal Annual Audit Plan by identifying where more independent assurance is required based on significance and risk of the activity – leveraging assurance from other sources where they can. Internal Audit continues to have the right to conduct its own assurance activity freely and independently in order to meets its role and remit. However, if they need to provide assurance through their work plans then the reasons will be clearly understood by the Management Board and Audit Committee.
   - inform the Head of Audit annual audit opinion 2014.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Combined Assurance Status Report - Resources and Community Safety
Appendix B	Combined Assurance Status Report - Communities
Appendix C	Combined Assurance Status Report - Children Services

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.

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Combined Assurance

Status Report
Resources & Community Safety

Contents

Contact Details: Pete Moore – Executive Director
pete.moore@lincolnshire.gov.uk

Introduction

This is the second combined assurance report for the Council.

Working with management we have been able to show what assurances the Council currently has on the areas of the business that matter most – highlighting where there may be potential assurance 'unknowns or gaps'.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.

Scope

We gathered information on our:

- **critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- **key risks** – found on our strategic risk register or associated with major new business strategy / change.
- **key projects** –supporting corporate priorities / activities.

Methodology

We have developed a combined assurance model which shows assurances across the entire Council, not just those from Internal Audit. We leverage assurance information from your 'business as usual' operations. Using the '3 lines of assurance' concept:

Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.
- The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.

Key Messages

The Directorate continues to deliver a mix of front line services, corporate support / assurance services and support to major Council programmes of change and work. The Directorate and Council has faced considerable change over the last 3 years in addressing the financial and service implications of the current comprehensive spending review and the need to address significant, further reductions in Government funding over the next few years. A significant element of the solution to that will be better commissioning and procurement of services and the development of more integrated and efficient working with other partners, especially Health. We shall also be driving through changes through the Future Delivery of Support Services programme which seek to reshape and re-procure the services currently provided by Mouchel, together with implementing a replacement for SAP, our corporate finance and HR system.

Our Fire and Rescue and Emergency Planning service have once again responded effectively to significant flooding issues over the last year and continue to prepare and train for future events.

The Directorate adopts the corporate methodology for assessing our assurance status and in managing risks and I am satisfied that they are working effectively within the Directorate. I am satisfied that the assessments by my Service Managers within this report are an accurate and realistic reflection of our assurance levels and the management of risks. It is positive to note that 86% of activities are assessed as green with action in hand to improve other areas. The one area that was assessed as red was due to certain quality issues within the Insurance service and I am satisfied that the improvements plans in that area are both comprehensive and robust.

The feedback I receive from service users within the Council and from outside is generally positive and any service issues which do arise are usually addressed quickly and effectively, such as the quality issues on the insurance service. Some of our public facing services seek independent quality accreditation and our Celebratory / Registration Services has recently undergone an external inspection and been once again classified as excellent.

Figure 1 – January 2014
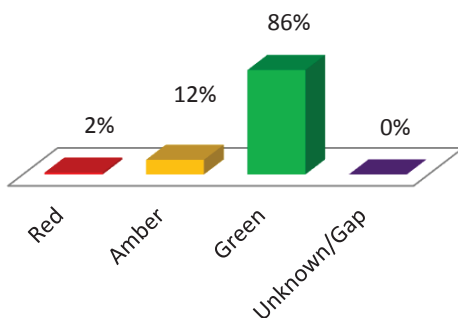
Overall Assurance Status Critical Activities 2014

Figure 2 – January 2013

Overall Assurance Status Critical Activites 2013
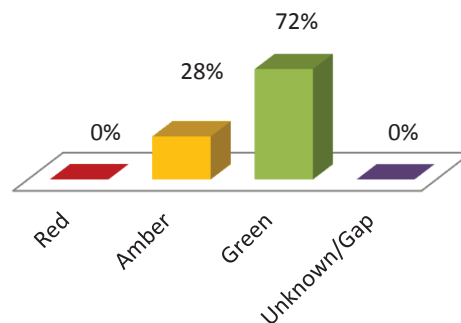
Critical Systems

Overall, a high level of positive assurance exists around Resources and Community Safety critical activities and systems. Assurance arrangements are working effectively. Most assurance comes from managers – supported by a good level of corporate and third party assurance.

The Service works well with Internal Audit, highlighting areas for review where independent challenge and insight adds value and complements external inspection. Recommended improvements resulting from Internal Audit work are monitored and tracked through the Audit Committee.

Comments on the overall level of assurance are covered within the 'Key Messages' section of this report.

Figure 3

Resources & Community Safety Distribution of Assurance

- Finance
- Procurement
- Audit & Risk Management
- Fire & Rescue
- Legal Lincolnshire
- Corporate Property
- Registrars/Coroners
- Safer Communities
- YOS
- Business Support

30%
6%
9%
15%
3%
6%
9%
5%
11%
6%
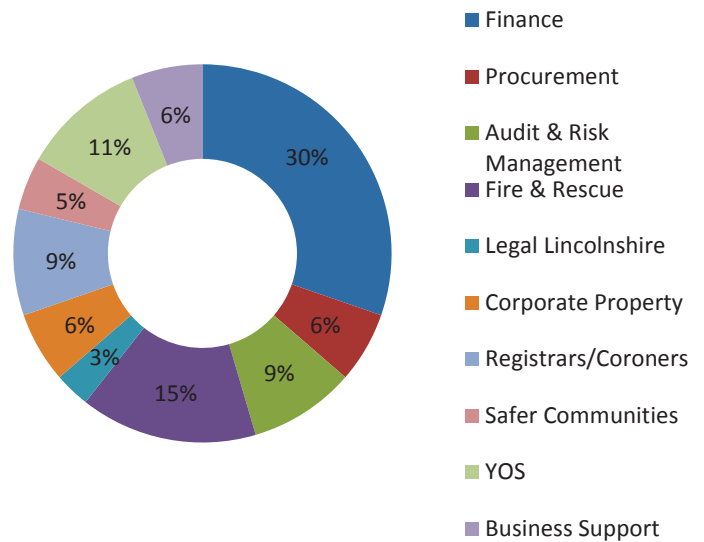
Figure 4

Who Provides Your Assurance

Management	100%
Corporate & 3rd Party	45%
Internal Audit	47%
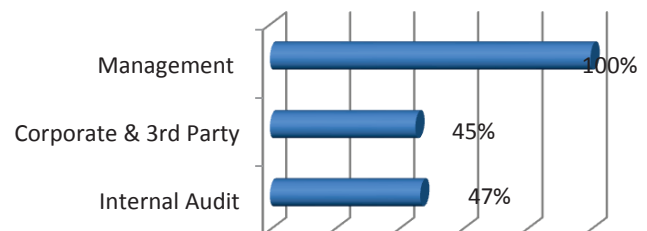
Finance

We continue to maintain a well-controlled financial regime within the Council. There continue to be presently no areas where the level of assurance is at an unacceptable level.

Trends over the past 12 months indicate a clear general strengthening of the control regime across this service area with seven assessments assigned as amber last year now assessed as green. Areas where the overall assessment has improved to green are budget management, pensions benefit administration, tax compliance and management of the capital programme

Figure 5

Finance

- Red
- Amber
- Green
- Unknown/Gap
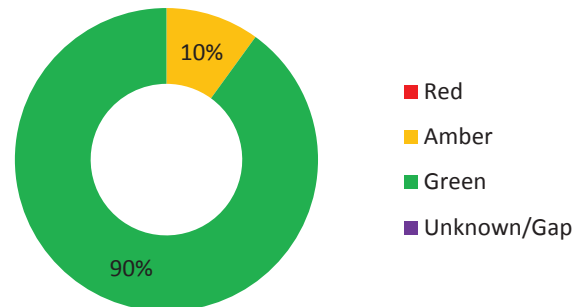
Improvements continue in the area of accounts closure and financial statement preparation following significant difficulties of two years ago. Mouchel have lead a lean review based re-engineering of the processes in this area which has resulted in a high quality product for financial year 2012/13 attracting very favourable external audit comment.

Three areas are designated amber and for which work is on-going to move that assessment to green.

Firstly, there remain issues regarding the control environment surrounding the creditor payment process where there still are too many instances of orders being raised retrospectively upon receipt of an invoice which is bad practice in control terms. Whilst some short term work is planned to publicise the current poor practice, the impending change of financial system from SAP to Agresso will drive best practice to be adopted.

Secondly, there is a general concern regarding the skills and competencies around the Council in terms of exercising the client role in managing a range of contractual arrangements. As the Council moves towards the commissioning council model staff training and awareness in these areas will increase significantly. Cross Council training initiatives are already underway.

Thirdly there have been some on-going concerns regarding the management, by the provider, of certain outsourced services that are the subject of the current FDSS programme. As the new solutions that emerge from this initiative are implemented it is confidently expected that these issues will be resolved.

Finally, it needs to be recognised that, looking forward, the service faces considerable challenges over the next year supporting a range a projects critical to the future wellbeing of the County Council (eg. introducing the commissioning council model, the fundamental review of priorities & budgets, the implications of the FDSS programme).

Audit & Risk Management

Internal Audit

From 1st April 2013 new Public Sector Internal Audit Standards were introduced which defined the nature of internal auditing in the UK public sector and a set of basic principles and standards for carrying out our Internal Audit practice. We have undertaken a self-assessment against the *Standards* and are pleased to report that the Council's Internal Audit function generally conforms to the new *Standards*. There were a number of minor areas where we have identified opportunities for improvement and these are being monitored through the Audit Committee.

Figure 6

Audit & Risk Management

- Red
- Amber
- Green
- Unknown/Gap
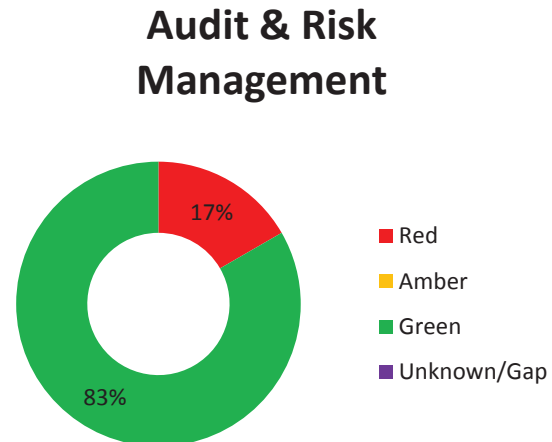
Our performance continues to be monitored throughout the year by the Audit Committee, with no significant concerns being reported. The service has faced some capacity issues which has resulted in a reduction of areas reviewed to that approved in the audit plan. Areas where independent audit assurance will not be provided are:

- over public health critical systems
- IT Audit work
- Schools

The combined assurance work planned for January – March 2014 and the due diligence work in Public Health aims to address any assurance gaps.

The Council's External Auditors continue to place reliance on our work where appropriate. We continue to meet agreed performance measures with feedback from clients on the value of our work remaining – good to excellent.

Our Counter Fraud arrangements continue to be effective and monitored through the Audit Committee. So far this year we have recovered £133,182 and stopped a further £100,000 of attempted fraud. Counter fraud developments planned for 2013/14 include:

- New fraud awareness campaign
- Update of our fraud risk assessment
- Update of key policies – including whistleblowing and money laundering
- Update of our internal policies and practice notes on counter fraud and investigations

Given the above the overall assurance of the Internal Audit and Counter Fraud arrangements has been evaluated as 'green – effective'.

Risk Management Team

The service continues to provide support to the business to take well measured risk decisions in a time of uncertainty and service redesign.   A new Risk Management Strategy has been approved; the Council's strategic risks are effectively monitored through Executive Directors, the Risk & Safety Group and the Audit Committee.

We have strengthened the way operational risks are managed through the Risk and Safety Group with any significant operational risks escalated to the Strategic Risk Register as appropriate.

The Council's risk appetite is 'open and aware' - the team is working on developing a tool kit to continue to provide training and support for good risk management.   This is due to be launched by the end of March 2014.

The Future Delivery of Support Services included Health & Safety. The existing contract with Mouchel comes to an end on the 31st March 2015. We are currently working to evaluate delivery options and drafting the service specification – although slightly behind with the work plan we are on track to contract out the service and start the procurement process from the 1st April 2014. We continue to effectively monitor delivery of the Health and Safety contract with Mouchel.

Based on the above information assurance over our risk management and Health and safety processes have been evaluated as 'green'.

Insurance Team

During 2013 we have identified a number of service quality issues that need to be addressed to ensure that the insurance team provide an effective and efficient service and that the Council's Insurance Fund remains solvent and sustainable. An improvement plan is in place – the key actions are:

- LEAN review over systems and processes
- Review of claims handling procedures – including the IT system MIMS. Internal Audit commissioned.
- Data cleansing of MIMS
- Improvement of information / retention of documents
- Review of the insurance premium and recharging policy and procedures
- Development and writing of procedures to cover all work practices
- Review of the academy insurance scheme
- Completion of actuarial review of the Insurance Fund
- Increase capacity within the team
- Strengthen management oversight and quality assurance programme

Given the scale and some of the complexities of the issues identified in the improvement plan this area of the service has been assessed as Red. I currently cannot give assurance that the Council's insurable risks are effectively managed or that the Insurance fund is sustainable in the long term.   The improvement plan is currently being prioritised with all key risk / high impact actions being addressed by the 31st March 2014.

Procurement

The service continues to provide management support and additional capacity to the Adult Social Care Contracts team. There has been a particular focus on contract management and on improving engagement with suppliers at a strategic level – good progress has been made in both areas.

The team has contributed significantly to the Commissioning for Lincolnshire programme and this work is helping to strengthen contract management across the Council by introducing a best practice framework which when implemented will help to ensure that high standards are in place on a consistent basis in all areas.

Figure 7

Procurement

- Red
- Amber
- Green
- Unknown/Gap

25%

75%
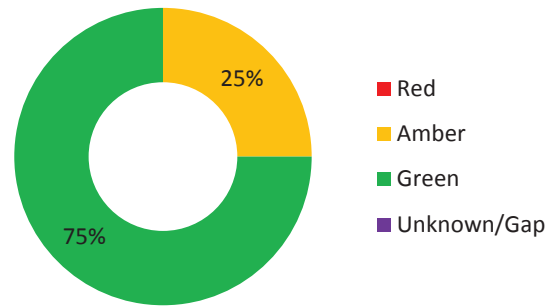
Good progress continues to be made in all areas of Procurement including:

- Developing strong relationships with commissioners to support effective working relationships which improve procurement planning and enable early market engagement.

- Category management is now embedded in Procurement Lincolnshire and PL is working with devolved procurement teams to consider how this approach can be implemented in all key spend areas across the Council. This work complements the Commissioning for Lincolnshire programme.

- Extending the support that we provide to local suppliers to encourage more local suppliers to bid for Council contracts. Supplier training is now an integral part of our work and includes targeted training for the voluntary and community sector.

- The Corporate Contracts Register (Firefly) now includes all Adult Social Care Contracts and the system has been further developed to support contract management which is being rolled out on a phased basis, initially into Children's Services.

Fire & Rescue

Lincolnshire Fire and Rescue's mission is to make Lincolnshire a safer place to live, work and visit. How it does this is described in 2 core planning documents.

The first, its 3-year Integrated Risk Management Planning Baseline Document, identifies the range of fire-related risks in the County and the strategies for reducing those risks.

The second is its annual Service Plan, which gives more detail on how the strategies are delivered and provides the framework for measuring performance. Assurance for the Service is set against these plans.

Figure 8

Fire & Rescue

- Red
- Amber
- Green
- Unknown/Gap

100%

Formal Management Assurance is conducted at monthly Service Management Board and quarterly Performance Management Board meetings. These focus on the effective functioning of critical activities and ensuring key outcomes are met. This is supported by an Operational Assurance self-assessment process which reviews the key areas identified in the combined assurance map.

Third party assurance is primarily achieved through peer challenge. Examples include a Business Continuity Management peer review conducted in January 2011, the Local Government Association and Chief Fire Officer Peer Challenge conducted in October 2012 and a National Resilience Assurance Team assessment of our Urban Search and Rescue capability in July 2013.

Key corporate risk areas include the development of ICT to meet the needs of the Service, on-going industrial action around fire-fighter pensions and future budget pressures.
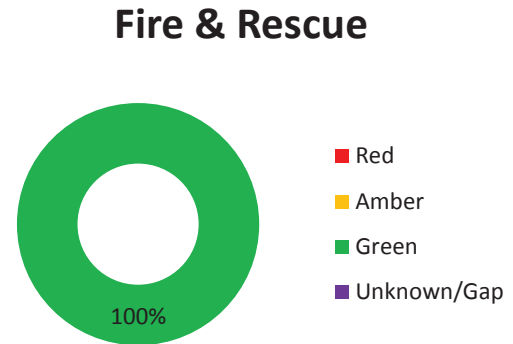
Emergency Planning

The County Council has lead responsibilities in any emergency. These include the welfare of victims and evacuees, provision of emergency shelter, co-ordination of the voluntary sector and also a community leadership role. The council would also lead on all recovery efforts.

The council continues to have lead roles and responsibilities as 'category one' responder although the delivery of these responsibilities is evolving due to the reducing resource based capacity and services being procured through third party providers. Training and exercising has demonstrated our ability to provide co-ordinated responses. Our additional operational duties as Lead Local Flood Authority were tested on 2 occasions in 2012 when local flooding occurred.

Emergency Planning

- Red
- Amber
- Green
- Unknown/Gap

100%

Figure 9

Our command and control processes have been strengthened and progress made on comprehensive recovery planning. Our arrangements to co-ordinate the voluntary sector through a 'memorandum of understanding' with local and national bodies is held as good practice. We have also been the driving force behind the regeneration of the Local Resilience Forum (LRF) into an effective and high performing resilience partnership.

Priorities going forward include:

- Determining how promote emergency preparedness to contracted care providers
- Strengthening resilience of the most vulnerable adults/children in receipt of care services to the main and enduring community risks facing Lincolnshire
- Enhancing multi-agency co-ordination of crisis management and emergency response phases for those vulnerable adults/children in receipt of care services
- To formally agree the processes, roles and responsibilities in providing emergency evacuation shelter, welfare support and accommodation
- Creation of an LCC Resilience Group and agreement of a work programme
- Better co-ordination of emergency preparedness and business continuity management within the council, and improve performance in our duty to promote business continuity to local businesses and voluntary sector.
- Develop operational/service level training and awareness
- Complete and test recovery planning – this includes developing an emergency procurement framework.
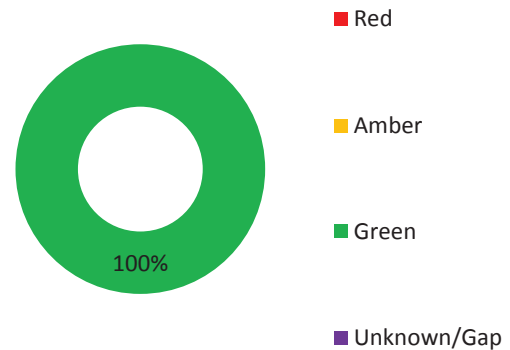
Legal Lincolnshire

This year again Legal Services Lincolnshire has continued, generally, to meet its targets (notwithstanding the constraints on clients' spending power) and our reviews and audits have raised no issues of assurance for the service.

We have had a change in our governance arrangements this year, having merged our Legal Management Board with our Business Advisory Board, to mainstream business development and improvement in our work. Our Client Liaison arrangements remain robust with high customer service levels (99% responding that the service we provide is either 'good' or 'very good'.)

Particular areas to note are:

- External Legal Spend – we did not achieve our target to maintain this sum under £350,00 per annum this year – due to the increase in volume of childcare work both internally and externally the spend was £591,360. Considerable work has been done within Legal Services Lincolnshire and with Clients to keep this external spend to a minimum and that continues to be the case.

- Efficiency savings – this year we achieved a surplus of £850,00 (against £539,000 the previous year) in both cashable and non-cashable efficiency savings – by increases in-chargeable hours worked, holding a number of vacancies and freezing others and reducing the number of locum lawyers working in the Practice.

- Income generation – our target for income generated from external clients this year was £200,000 and £256,936 was generated. We continue to work for a number of public bodies outside the Shared Service partnership

- Chargeable hours – we work to an annual target of ensuring that at least 60% of our total time is spent on chargeable work and this year we achieved 84.3%.

Figure 10

Legal Lincolnshire

100%

- Red
- Amber
- Green
- Unknown/Gap
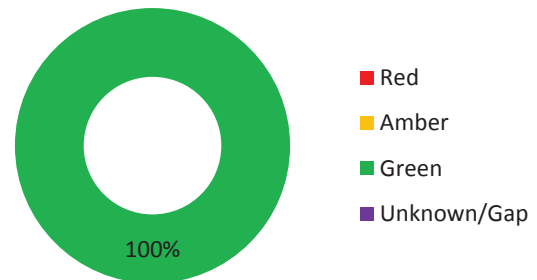
Corporate Property

Property Strategy (Green)

The property strategy is established and reported twice yearly to VFM scrutiny committee. The Corporate Asset Management Plan is being updated and due for completion in early 2014.

Clear property Governance is in place with a Property Board held monthly with the Executive Member for decision making. The Corporate Asset Management Group will be redesigned in 2014 to become an officer only group and operate as a stakeholder group. All property activity is managed as a programme and appropriate governance is in place.

Figure 11

Corporate Property

Red
Amber
Green
Unknown/Gap

Property Management (Amber)

Centrally managed estate: This is managed by the Corporate Property team in conjunction with Mouchel. There is good control. The service is a member of CIPFA to enable best practice to be identified.

Directorate estate (i.e. fire stations, schools etc.): Corporate Property provides support to the directorates to help improve their property management. The Total Facilities Management contract is in place and budgets have been centralised. In addition, over the next 2 years a Corporate landlord model is being introduced which will increase control of these assets further.

Health & Safety: an audit of compliance was undertaken in early 2013. From this an action plan was developed and the need for budgets for fire risk assessment identified, all actions are being delivered over an agreed period. In addition, a responsible persons programme is being rolled out starting with West Lindsey Properties.

County Farms (Green)

The farms estate is managed on a commercial basis working with Savills as agents. The approach is to:

- Maximise income (rents)
- Maximise Capital receipts (sales)
- Amalgamate holdings to create farms that offer a viable business
- Modernising or replacing buildings to ensure farmers can utilise modern technologies for an efficient business

Clear governance is in place with a quarterly Board attended by the Executive Member and regular liaison with Savills to provide assurance on performance. Currently rental and capital receipts income is up and there are no bad debts

Registrars/Coroners

In 2013 customer satisfaction levels continued to remain very high with another successful review for Customer Service Excellence. Customer expectations continue to be very high and the service needs to respond to this.

Staff training over the year has supported high standards, especially in relation to Nationality Checking Service and for new members of staff.

Figure 12

Registrars/Coroners

- 🟥 Red
- 🟨 Amber
- 🟩 Green
- 🟪 Unknown/Gap

17%

83%
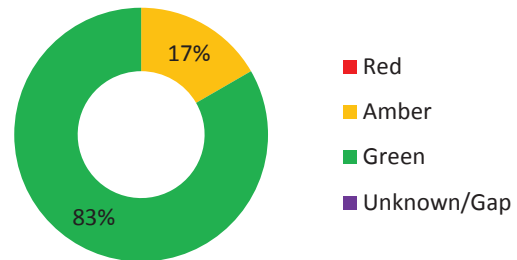
KPI's changed slightly in April 2013, to now include referrals in relation to suspected sham marriages and suspicious certificates. These are monitored monthly. The General Register Office do not anticipate completing any Service Delivery Inspections in 2014, reflecting their assurance of the service.

The Coroners Service has responded to new legislative changes introduced in July 2013. A review of many aspects of the Coroners Service is currently underway to ensure maximum support to bereaved families, the coroner, to continue to improve efficiency and timeliness. A Coroners Body Removal Contract was introduced in April 2013, and this continues to be monitored and a full review will take place before the end of the first year in operation.

National Consultation on Medical Examiners has been delayed, however is anticipated by the end of 2013. Although the original proposals were for the introduction of this new service in October 2014, nationally it is recognised that this may be challenging for Local Authorities. Clearer guidance on the impact of implementation and timescales will be known once the Consultation document is published by the Department of Health.

Business Support

Business Support provides a multi-disciplinary support services across the majority of Council service areas. Since its implementation in late 2011 the service has focused on cross skilling staff to increase resilience and improving processes to develop a more efficient support function.

The Blue Badge service is operated through Business Support which provides disabled parking badges to the public of Lincolnshire. Processes continue to be reviewed and improved. Additional staff have been cross trained to increase resource availability to deal with workflows. Blue Badges are input into a national database (BBIS) providing management data on volumes of workload and levels of activity to ensure the service is robust. During 2013 additional work has commenced in working with partners to improve enforcement of Blue Badges and to reduce fraud and misuse.

Figure 13

Business Support

100%

- ■ Red
- ■ Amber
- ■ Green
- ■ Unknown/Gap
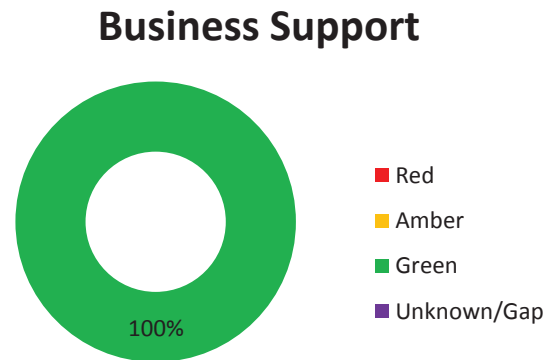
Support provision to Child Protection and Adult Safeguarding is a core function of the Business Support service. Extensive work has been completed with Children's Services through implementing a specialist team to support child protection conferences to ensure core targets are achieved. Workflow is regularly monitored across the service and improvements have been made to ensure production of quality case reports and improve reporting within ICS. A comprehensive training programme for staff has now been implemented across Business Support to ensure the appropriate skills are in place.

The e-purchasing system has been launched throughout the Council which has strengthened compliance and governance of purchasing activity. The centralised team provides better oversight of workloads and assists improvements to financial processing. Regular reporting of work and spend is available linking through to Procurement Lincolnshire's strategies for procurement.

The Customer Finance Team (Financial Assessment and Direct Payments Team) was transferred into Business Support from Adult Care in early 2013 with a clear Service Level Agreement establishing performance targets which are regularly reported to the Adult Care Performance Board. Significant work has been undertaken in rationalising processes to improve the customer experience and reducing direct payment backlogs through implementing a core training programme to provide additional resilience. Business Support also supports a service user co-production group to obtain feedback and suggestions on how the customer experience can be improved.

An emerging risk remains in the transition of support staff from Public Health into Business Support in early 2014. Proposals have been agreed with Public Health management to transfer these staff on current terms and conditions into Business Support by 1st April 2014 to enable an improved, effective and efficient support function to be developed so meeting the needs of this developing directorate area.

Safer Communities

Trading Standards

Work continues on ensuring the work prioritised for action fits the smaller resource base of trading standards officers. An intelligence led approach similar to that used by the police is used to identify consumer areas that are causing the most detriment and areas that target those least able to protect themselves.

Risks still exist in meeting consumer expectations and work continues with the Citizens Advice Consumer Advice line in ensuring our referral protocol is correct: this service now takes all initial enquiries following the closedown of the Trading Standards team within the CSC.

.

Figure 14

Safer Communities

During core offer much expertise and knowledge left the service, training and up-skilling has been achieved with the remaining staff, though there remains a risk with the generalist approach that has had to be adopted that the more technical issues are missed or mistakes made; this is particularly a risk in legal process, food and safety enforcement areas. The reduction in resource has meant a withdrawal from proactive business advice and therefore there is a risk that businesses in Lincolnshire may breach legislation with financial, reputational and public safety consequences.

Community Safety Commissioning

A major commissioning exercise was commenced in 2013, the major part of this was a joint programme agreed between LCC and the Police and Crime Commissioner. This programme is now underway with some smaller projects still in the development phase due to the need to find innovative solutions.

Domestic Abuse

Safer Communities holds a coordinating role to ensure partner agencies do everything they can to prevent and protect victims of domestic abuse. There is a strong partnership in place across Lincolnshire that received external audit and commendation from a Home Office project. There is now a statutory requirement to review all homicides that were the result of domestic abuse, this does bring the benefit of learning how the system works for victims but brings a risk that failings will be exposed. The reviews can also be resource intensive. The two reviews that have been commenced to date have highlighted training and awareness needs in the social care areas of LCC, which is currently being addressed.
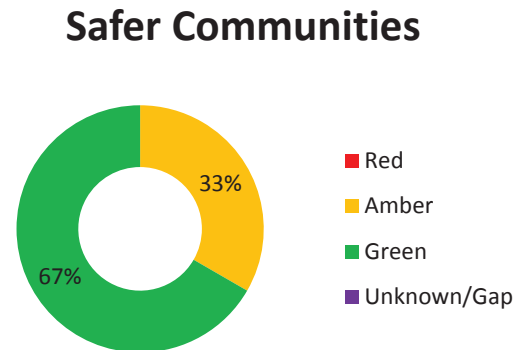
Youth Offending

The current performance data for Lincolnshire Youth Offending Service underlines an encouraging longer term trend of reducing offences and offenders. The decreasing number of number of young people appearing before the Courts in Lincolnshire has naturally correlated with a reduction in statutory orders.

The service is demonstrating high levels of performance in respect of the three key performance measures of first time entrants, reducing re-offending and numbers of young people in custody.

Figure 15

Youth Offending Service

- Red
- Amber
- Green
- Unknown/Gap

29%
71%

A focus upon early engagement and intervention has led to an increase in community resolutions and restorative justice outcomes. The standard escalators which progressed young people within the Criminal Justice System have been removed which presents the ability to apply a wider range of disposals at any time such as cautions and restorative justice. Through the Youth Offending Service input into the LCJB Victim and Witness Group, a scrutiny and overview panel to evaluate all out of court disposals will soon be in place and this will enable greater transparency of decision making to maintain confidence in restorative justice outcomes.

The service is expanding its involvement in prevention work in conjunction with key partners in Police, Community Safety, ASB and Families Working Together and clear referral pathways exist. The impending changes to ASB legislation in Spring 2014 will enable the Youth Offending Service to support District Councils/Community Safety Teams in the management, enforcement and appropriate targeting of ASB orders to maximise their impact and provide both prohibitive and positive requirements.

The Youth Offending Service is a multi-agency model which utilises the resources and skills of partners from Health, Probation and Police. The uncertainty surrounding the Transforming Rehabilitation agenda for Probation carries a potentially significant impact upon the Youth Offending Service. This is relevant in terms of the provision of qualified staff, the transition arrangements for youth to adulthood and the management of high risk young people.

In October 2013 an internal Quality Assurance audit was undertaken to assess the standards of case management in key areas of public protection, safeguarding and reducing re-offending. Cases selected for the audit were chosen from recent Court Orders that were still in the initial 12 weeks of the order. A total of 30 cases were selected which replicated the inspectorate (HMIP) methodology and auditing toolkit and the cases were evenly spread across the three area teams. For consistency, the audit of the selected cases was carried out by qualified Area Team Managers from a list provided by the ICT & Performance Manager. The audit demonstrated strong performance in key areas and a summary and relevant actions will be reported through the YOS Management Board.
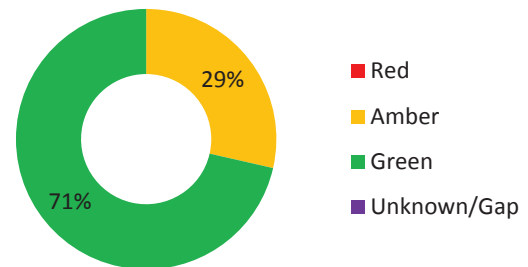
The YOS faces funding pressures from the Ministry of Justice due to the need to achieve savings nationally and on-going grant reductions are realistic in the current financial climate. Historic funding previously provided directly to the Youth Offending Service has now been directed towards the Police and Crime Commissioner, therefore the YOS must meet this new challenge to demonstrate its effectiveness and evidence meaningful outcomes to retain its status as the current provider of services to young people. This risk is addressed through the oversight provided by the Youth Offending Service Management Board which includes all key partners.

Lincolnshire has a significant number of Private Care Homes within the county and this has highlighted the need for all agencies to closely manage the transfer of young people who can often present with complex needs. The YOS has worked closely in conjunction with the Courts and Lincolnshire Police to minimise the potential for young people to be criminalised by better use of restorative justice and engagement with care home staff to support their management of young people.

However the concerns regarding effective safeguarding of young people within the private care system remain and are realistic. The Youth Offending Service recently took part in a recent Department for Education consultation exercise looking at private care home provision and placing of young people outside of their home authority. The consultation results will be published shortly but may result in new regulations which are geared towards improving the standards of care provision and safeguarding vulnerable young people within Lincolnshire. The YOS continues to raise individual care home issues with relevant authorities and have escalated cases with respective local authorities where necessary. The chair of the Lincolnshire Safeguarding Children's Board is planning to meet with OFSTED to raise concerns regarding care home provision and evidence has been submitted from Police, Health and the local authority to support this case.

The number of remands to Youth Detention Accommodation remains low and the service is working in close co-operation to ensure the new demands of remand management and the associated looked after status are addressed. The remand process within the YOS was recently audited by Lincolnshire County Council corporate audit team and received substantial assurance. A recruitment campaign for remand foster carers is continuing within Children's Services and when fully established will provide credible alternatives to remand to custody. The remand budget formula is currently being reviewed by the Youth Justice Board with some areas experiencing significant overspends and others under spending. However the process remains volatile with spike events and long term remands representing a future financial risk for the local authority.

Suggested next steps for Resources and Community Safety:

The key challenges over the next 12 to a 18 months have been summarised in the 'Key Messages' section of this report, together with the service summaries. Key programmes of work will have appropriate plans and milestones and risks will be assessed and managed on an ongoing basis. The 4 most significant, corporate programmes of work for the Directorate over the next 12 months will be:

1. The Fundamental Budget Review to be undertaken during 2014.
2. The work to move towards and support a ' Commissioning Council'
3. The Future Delivery of Support Services
4. Integrated working with key partners, especially Health and the Police.

Over the next 12 months we will seek to ensure that our services maintain a high level of assurance and address areas those identified for improvement.

Strategic Risks

Funding and maintaining financial resilience

Carry forwards from 2012/13 were confirmed at the full Council meeting in September. The revenue budget outturn for the current financial year (2013/14) is expected to show a net underspend, which will allow some flexibility to be carried forward into 2014/15 together with the possibility of replenishing reserves.

The medium term financial strategy was updated following the Chancellor's Autumn Statement and the Local Government finance settlement in December. This will be kept under review as further clarification on the size and use of the Better Care Fund is made available. There were no significant surprises in the recent announcements and the continued trajectory of Government funding reductions through to 2020 is still expected.

The Executive has now proposed a one year budget for 2014/15 which is in line with the Council's current financial strategy, including the measured use of reserves. The budget proposals also include additional net savings of 1% above the core offer savings already included in the budget. The budget assumes a further council tax freeze in 2014/15. The budget proposals are now subject to scrutiny and consultation prior to finalisation in February.

The Fundamental Budget review to set a new medium term financial strategy and budgets (and taking account of funding reductions from 2015/16) is programmed to be undertaken from February to September 2014, when proposals will be subject to consultation and scrutiny.

Council's highest rated Strategic Risks for this area of the business

Funding and maintaining financial resilience

Delivery of Strategic Contracts

Delivery of strategic contracts

As part of the FDSS programme measures are in place to manage the existing Mouchel contract and transition plans are being finalised to mange in any new arrangements. My current assessment of direction of travel in this area would be static.

Strategic Risks - Assurance Map as at 30th November 2013

	OWNER	RISK APPETITE	CURRENT RISK SCORE	TARGET RISK SCORE	DIRECTION OF TRAVEL	Management Assurance Status (Full, Substantial, Limited, No)	Corporate Functions & Third Party	Internal Audit	OVERALL ASSURANCE STATUS	COMMENTS — RAG Rating for level of assurance Red (R)/Amber (A)/Green (G)
Promoting Community Wellbeing & Resilience										
ASC not able to live within budget / Not balancing the service requirements to match available budget	Tony McArdle	**Cautious** (Regulatory standing & legal compliance - recognised may need to change the ways things are done but will be tightly controlled)			Static	A	A	A	A	Still a limited assurance and static due to outstanding budget at present of £2m
Commissioning for outcomes based on our Communities' needs										
Delivery of Strategic contracts	Pete Moore	**Open & aware** (Finance & money - No Surprises - prepared to invest for reward and minimise the possibility of financial loss by well measured risk taking) **Open & aware/ cautious** (Partnerships - Recognised that we work differently with different contractors / partners)			Improving	G	G	A	A	Continue to be 'Substantial' and improving due to controls in place. Two sets of work together has highlighted some differences in assurances which will be explored further to verify the level of management assurance given
Making the best of all our Resources										
Funding and maintaining financial resilience	Pete Moore	**Open & aware** (Finance & money - No Surprises - prepared to invest for reward and minimise the possibility of financial loss by well measured risk taking - allocating resources in order to capitalise on potential opportunities)			Static	G			G	Owner has comfort that everything that can be being done is being done and that the target score is achievable

Projects

Value for Money Scrutiny Committee		
Programme		
	June 2013	January 2014
Future Delivery of Support Services	●	●	• Programme of work is on target • Recommendations in respect of preferred bidder for IT, Finance and HR will go to the Executive in March 2014. That report will also include the decision as to whether the Customer Service Centre is included • Transition programme on the above services and implementation of new Agresso system will commence in April 2014. Appropriate financial resources have been included in budgets for this work • Property procurement process has begun with target decision in September 2014.
Commissioning for Lincolnshire	●	●	• David O'Connor is the principal lead for this programme • Finance staff are supporting the analysis of current budgets / spend by proposed new commissioning areas • Key mangers in the Directorate have been included in the training programme and this training has begun.

Property Rationalisation Programme	🔵	🔵	• This programme is currently on track, with the initial set of space and savings targets already achieved. • A programme plan is being developed to take the Council through to 2017 and beyond, which will reflect the Council's future property needs, the outcomes of the area based reviews and the need to make additional financial savings.
Contract and Maintenance of Fire Fleet	🔵	🔵	• Executive members have recently agreed a future model where the Fire and Rescue vehicles are procured and managed directly by the Council via a national framework contract whilst maintenance of the vehicles is provide by a contract arrangement. • Revenue and capital budgets have been established to meet these new requirements from the budget that was previously established for the AssetCo contract which was terminated in April 2012. A replacement profile for the vehicles and equipment has been included within the capital programme • The Council is about to commence the procurement process in respect of the maintenance contract • This project is on target.

Projects

Projects

Projects		
Pensions Development	●	●

- The provision of future pensions administration is being addressed as part of the Mouchel re-procurement. The Council has determined that the best option for the future is a collaborative arrangement on administration within another County Council and is engaged in a process to shortlist potential partners

- The government is continuing to consider options regarding potential merger of or collaboration in the management of pension funds and a further consultation paper is expected over the next few months

- This project is on track

● On track

End of Report

Combined Assurance

Status Report Communities

Contents

Contact Details   Richard Wills – Executive Director
Richard.wills@lincolnshire.gov.uk

Introduction

This is the second combined assurance report for the Council.

Working with management we have been able to update what assurances the Council currently has on the areas of the business that matter most – highlighting where there may be potential assurance 'unknowns or gaps'.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.

Scope

We gathered information on our:

- ➢ **critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- ➢ **due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- ➢ **key risks** – found on our strategic risk register or associated with major new business strategy / change.
- ➢ **key projects** –supporting corporate priorities / activities.

Methodology

We have developed a combined assurance model which shows assurances across the entire Council, not just those from Internal Audit. We leverage assurance information from your 'business as usual' operations. Using the '3 lines of assurance' concept:

Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- ➢ Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- ➢ Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- ➢ Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- ➢ We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.
- ➢ The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.

Key Messages

A number of diverse services are grouped under the Executive Director for Communities. In the main they can be described as providing the physical context in which people live: the built infrastructure and natural environment; the economy; and cultural services. There are many synergies between services and in practice there is a lot of interaction between managers as they seek to get the most out of our resources. We also work closely with other partners who have similar objectives. At present there is significant emphasis on our contributions towards growth:

- Maximising the impact of revenue expenditure;
- Directing a large capital programme towards infrastructure that will support growth including:
  - Road maintenance;
  - New road construction;
  - waste after 50% is recycled;
  - Economic regeneration infrastructure, including a £20m castle enhancement in Lincoln.
- Managing flood risk;
- Influencing spatial development.
- Maximising GLEP National and European funding income

We handle customer enquiries on behalf of the whole council and monitor our responsiveness, the customer experience and quality of service delivered.

Economic growth, living with environmental change and maintaining our infrastructure are likely to be key drivers for these services over the next few years.

We also need to focus on maintaining our ability to deal with the unusual and emergency events as we move further into commissioning services.

Figure 1 – January 2014
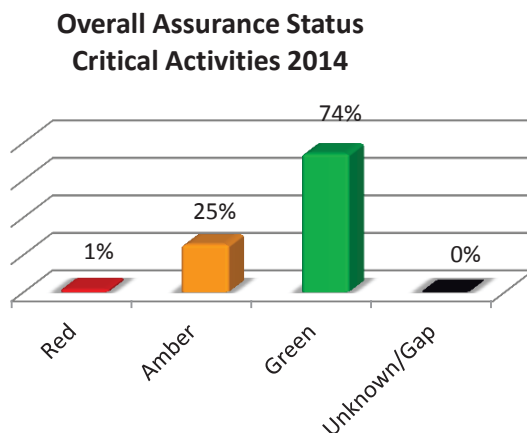
**Overall Assurance Status
Critical Activities 2014**

Red 1%
Amber 25%
Green 74%
Unknown/Gap 0%

Figure 2 – January 2013

**Overall Assurance Status
Critical Activities 2013**

Red 0%
Amber 31%
Green 69%
Unknown/G... 0%

Audit
LINCOLNSHIRE
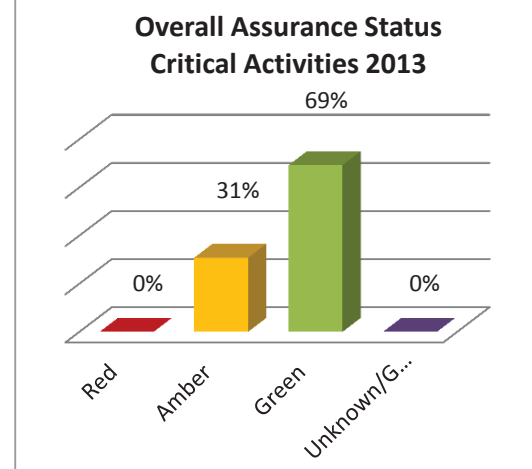
Critical Systems

Overall, a high level of positive assurance exists around Communities critical activities and systems. Assurance arrangements are working effectively. Most assurance comes from managers – supported by a good level corporate and third party assurance.

The Service works well with Internal Audit, highlighting areas for review where independent challenge and insight adds value and complements external inspection. Recommended improvements resulting from Internal Audit work are monitored and tracked through the Audit Committee.

The amber and green assessments are quantitative rather than a measure of impact.

We exercise strong and responsive leadership, effective financial management and have good management processes. These result in high levels of confidence in our risk management. However, to avoid complacency we utilise the services available to us through corporate and third party assurance (e.g. peer reviews and accredited quality management systems) and Internal Audit.

Our services are mainly universally available and thus open to considerable public and political scrutiny.

Your Assurance Map

- ■ Regeneration
- ■ Libraries & Heritage
- ■ Enterprise
- ■ Planning
- ■ Environmental services
- ■ CSC
- ■ Highways
- ■ Transport
- ■ Key Projects

13% | 8% | 10% | 11% | 7% | 6% | 21% | 10% | 14%

Who Provides Your Assurance

Management — 100%

Corporate Function & 3rd Party — 61%

Internal — 32%
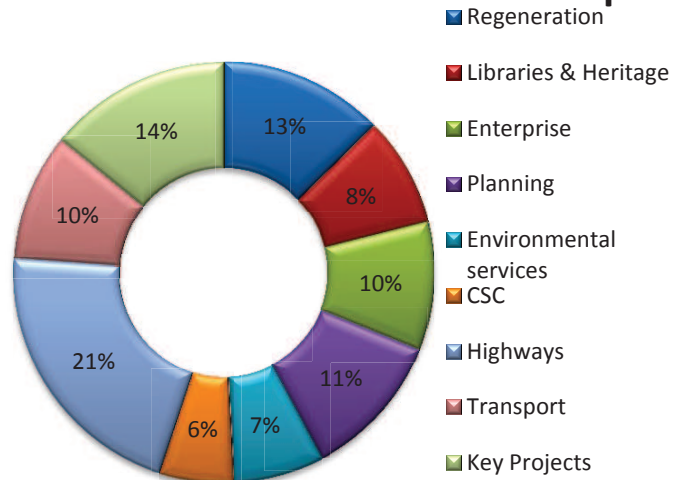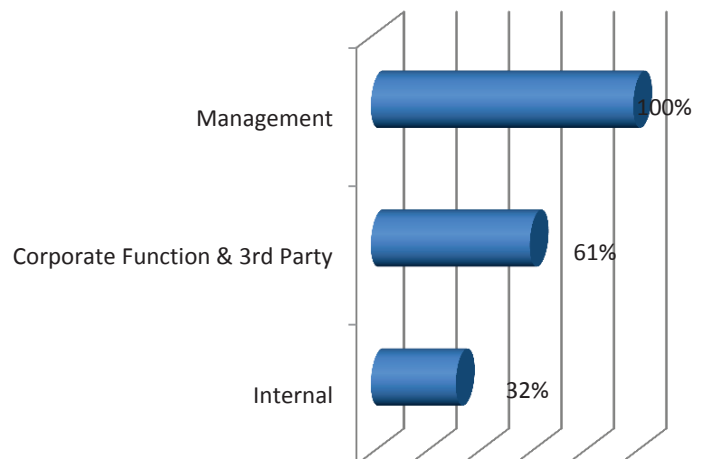
Regeneration

All service areas of Economy and Culture are affected by the much reduced capacity and resources to deliver the critical activities described. If affected by further budget reductions this will become a red risk, but as it is planned to undertake a zero based budgeting exercise next year, We would recommend that they are assessed as part of that process.

Waterways, particularly Sutton Bridge Marina, is highlight as a red risk as this project has complex land ownership and legal issues that are outside of LCC's control.
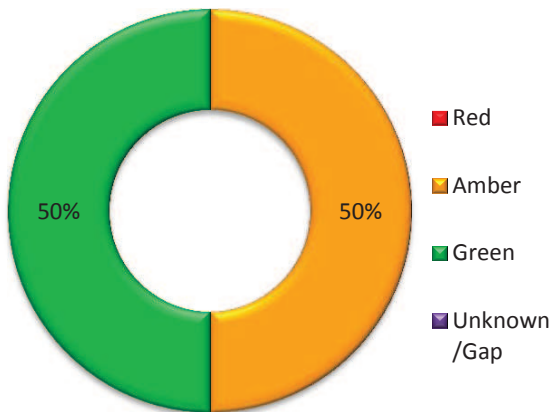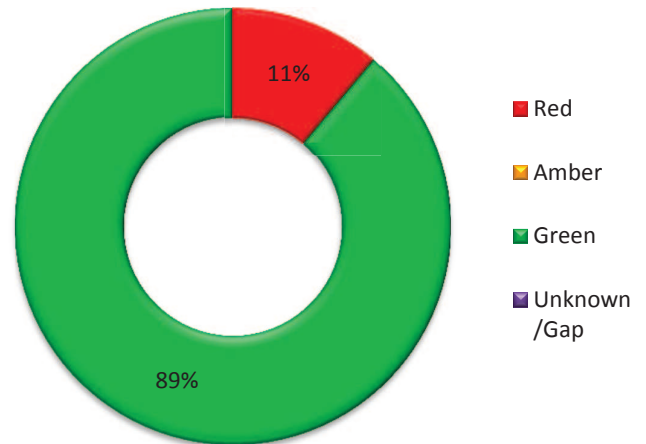
Libraries and Heritage

The Library service currently has the highest impact upon Economy and Culture This service is now moving into a detailed and complex programme of change, with a Transitional period of changes being introduced to Tier 3 libraries (Community Hubs) from May 2014 to March 2015. The changes to the service rely upon Communities delivering robust business cases and new support is being provided to facilitate this. Detailed analysis and planning, supported by legal advice on major risk elements are in place, so this area is assessed as Amber

Enterprise

We would welcome a review of Adult learning, identified as Amber. The learning board involves senior elected members and staff members have specific quality assessment and support roles. The focus is on quality of learning and meeting Ofsted's reporting requirements, which is inspected and the recent inspection was good, but there is less information to enable management assurance of the £1.8m budget
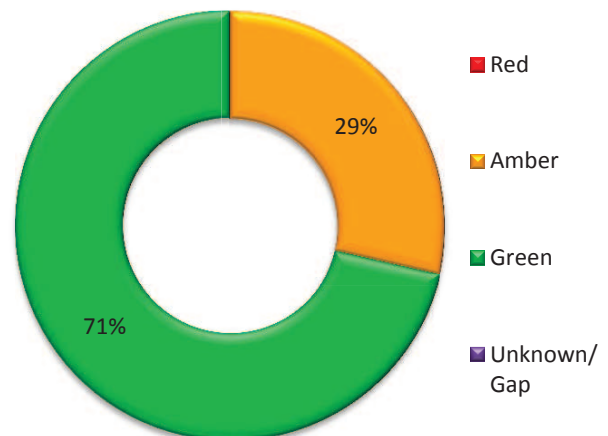
Planning

The recruitment of a Head of Service has allowed for a review of the service priorities. Whilst there still remains a number of amber rated risks these are areas that will be managed more directly through the Head of Service to ensure assurance. At a national level the monitoring of the Development Management performance is under review from DCLG and the outcome of that review will be closely watched for any implications on LCC.

A review of vacant posts is taking place to align resources to priorities and changing work loads.

38%
62%

- Red
- Amber
- Green
- Unknown/Gap

20%
80%

- Red
- Amber
- Green
- Unknown/Gap
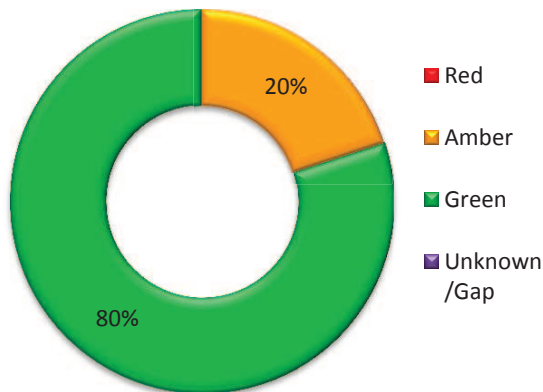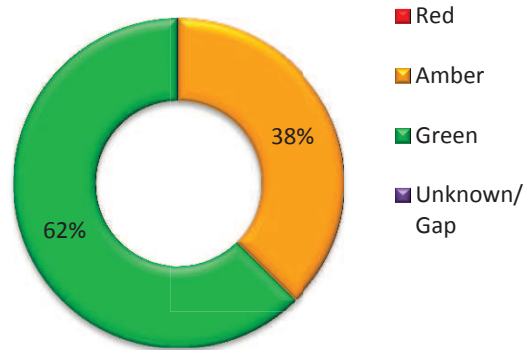
Environmental Services

The service has actively addressed the outstanding Carbon Reduction Commitment issues as identified last year, with full assurance accomplished.

All of the core activities within the service except waste management have achieved a full assurance; the new joint Waste Strategy will aim to give this assurance. As the service evolves through a commissioning council, the challenge is to maintain this level of assurance whilst developing natural environment and district heating.

Customer Services

The future of the CSC is still to be determined but whether included or not within the FDSS contract there will be considerable change. The risks attached to this are unknown at this stage but following a decision in March 2014 work will need to be programmed to manage this.

In terms of the current risks, the new corporate complaints system will help capture customers' concerns with the next steps being to see what lessons can be learned. Contact handling measurement is changing to a more qualitative approach which will feed into the refreshed KPIs

50%
50%

- Red
- Amber
- Green
- Unknown/Gap

20%

80%

- Red
- Amber
- Green
- Unknown /Gap
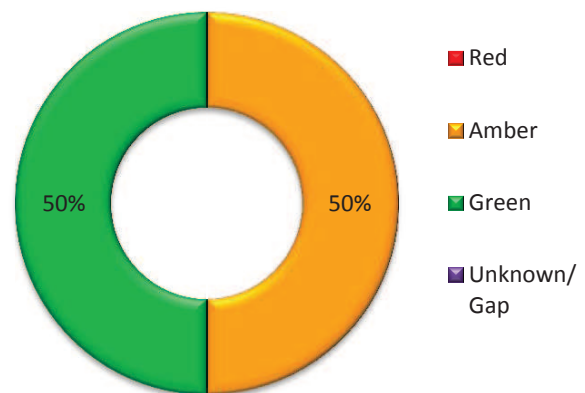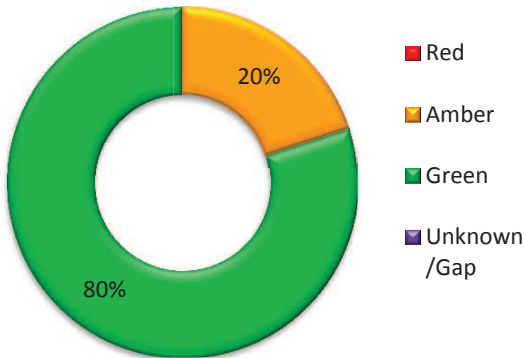
Highways

Most areas are green. There is some concern for Fleet Management over disruption to systems caused by the recent Kier takeover of May Gurney. Although we have redirected and focused some resource to respond to Floods and Water Act responsibilities we are still awaiting further enactment of legislation in this area. Continuing uncertainty surrounds the Road Safety Partnership due to the impact of the property review.

Transport

While most areas are green the channelling of major scheme funding through the LEP (Lincolnshire Enterprise Partnership) as well as half of the Integrated Transport block allocation brings uncertainty to programme management and processes. Budget uncertainty remains a concern for Floods and Water management and response and the anticipated transfer of responsibility for the administration of Bus Service Operator Grant (BSOG) brings further uncertainty to budget management.

14%

86%

- Red
- Amber
- Green
- Unknown /Gap
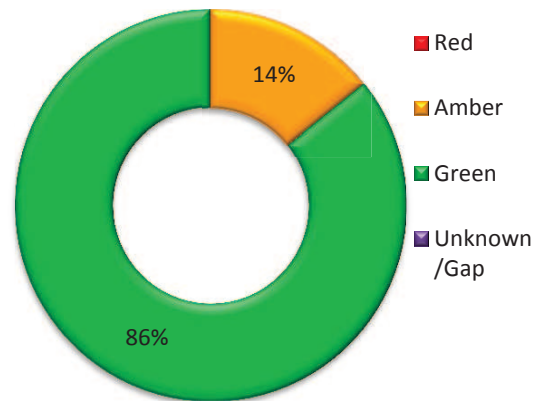
Suggested next steps……

- Support and facilitate Communities in delivering robust business cases for the future of Libraries in Lincolnshire.
- Initiate a project to develop Crown House in Lincoln to be the new home of the Lincolnshire Archives.
- Manage the changes to the Customer Service Centre based on the outcome of the FDSS contract decision.
- Continue to monitor developing legislation in relation to LCC's Flood Risk responsibilities to ensure the authority can meet its duties.
- Transport funding for major schemes is now expected to be channelled through the single growth fund directed by the LEP in line with the SEP (Strategic Economic Plan).

Strategic Risks

Council's highest rated Strategic Risks for this area of the business

Delivery of our responsibilities as a local lead flood authority

The Council is taking the following key actions to manage this risk – these include:
● Operational Action Plan supporting the Flood Risk Management Strategy
● Implement Flood Risk Management schemes, i.e. Horncastle / Louth
● Lead in influencing other people and agencies to direct resources to Lincolnshire
● Development of a Flood Risk Management Strategy 2025
● Collaboration with flood risk & drainage framework partnership
● Flood Risk Emergency Plan (with links to Emergency Planning)

Overall we feel this risk is being managed effectively with substantial assurance being given.

Flooding

Infrastructure

Our infrastructure is required to support delivery of our services & economic growth in Lincolnshire

A number of key projects aim to strengthen our infrastructure. For Communities these include:
- Major Highways Schemes
- Lincoln Castle Revealed

These are monitored through our normal programme and project arrangements.

Strategic Risks - Assurance Map as at 31st October 2013

	OWNER	RISK APPETITE	CURRENT RISK SCORE	TARGET RISK SCORE	DIRECTION OF TRAVEL	Management Assurance Status (Full, Substantial, Limited, No)	Corporate Functions & Third Party	Internal Audit	OVERALL ASSURANCE STATUS	COMMENTS
										RAG Rating for level of assurance Red (R)/Amber (A)/Green (G)
Promoting Community Wellbeing & Resilience										
Delivery of our responsibilities as a local lead flood authority	Richard Wills	**Hungry** (projects & major change - Need to be innovative and take higher risks for greater reward - higher levels of devolved authority) / **Open & aware/ cautious** (partnerships - Recognised that we work differently with different partners)			Improving	G	G		G	Considered 'Substantial' for the duties we have at the moment. Review assurance status when SUDS duties come on-line. *Sources of information - Environment Scrutiny Committee & Flood Drainage Sub Committee (September 13)*
Investing in infrastructure and provision of services										
Our infrastructure is required to support delivery of our services & economic growth in Lincs	Richard Wills	**Hungry** (Projects & Major change - Need to be innovative and take higher risks for greater reward - high levels of devolved authority - management by trust rather than tight control - 'break the mould' and challenge current working practices)								
Highways	Richard Wills					G			G	Projects being managed and everything is being done so amended to show substantial
Energy from Waste	Richard Wills					G	G	G	G	Project remains on track.
Castle revealed project	Richard Wills					G			G	New project to SRR. All going fine at present

Key Projects in Communities

🟥	Red
🟧	Amber
🟩	Green
🟪	Unknown/ Gap

30%
70%
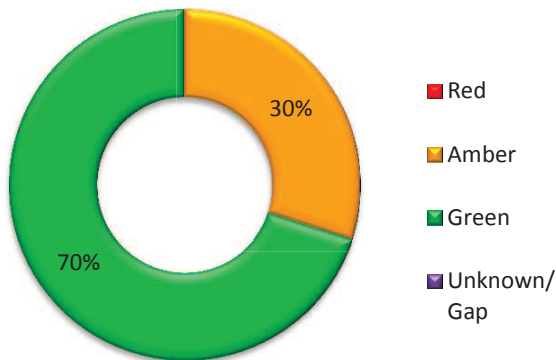
Lincoln East West Link Road – Green
This project is on track with planning permission having been granted.

Spalding Western Relief Road – Green
Work to identify the route for phase 2 and 3 of the road is underway and the phase 1 developer is being supported through the planning process.

Grantham East West Relief Road – Green
After objection delays this scheme is now back on track for planning approval late 2013, after which is will be handed to LCC highways to manage. This will give the service greater control over delivery.

Lincoln Eastern Bypass – Green
This project is on track with planning permission having been granted.

Lead Local Flood Authority Responsibilities – Amber
Progress is good with a joint local flood risk management strategy written; however as LCC's legal responsibility are still not fully defined and there are potential funding pressures the project still carries strategic risk.

What Managers are doing:
- Monitoring emerging legislation to fully understand and react to LCC Flood Risk Management Responsibilities.

- Introducing a detailed and complex period of transformation to the library service.

- Monitoring the Castle Revealed project through the project board whilst new project management arrangements are embedded.

Energy from Waste – Green
The project is now in the 'Hot Commissioning' stage and is largely on time and under budget.

Library Needs Assessment – Red
Decisions on changes to the library service have been made and the project now moves into the transitional period. It is still possible that the Executive decision and library model may be challenged by Unison or by a Judicial Review. There are also significant staff changes to bring into effect. Also there are changes required to separate out ICT networks and Mouchel's capacity to deliver this to time is a risk.

Lincoln Castle Revealed - Amber
Project well into delivery stages and Governance structures are strong. New Project Management arrangements have strengthened capacity and resilience, but roles and contract responsibilities are being embedded. There are also important interdependencies affecting the project on transport and movement in Lincoln.

Audit LINCOLNSHIRE

Combined Assurance

Status Report
Children Services

Assurance

Date: January 2014

Lincolnshire
COUNTY COUNCIL

Contents

Contact: Debbie Barnes, Director of Children's Services
Details: Tel: 01522 553200
            County Offices, Newland, Lincoln, LN1 1YL

Introduction

This is the second combined assurance report for the Council.

Working with management we have been able to show what assurances the Council currently has on the areas of the business that matter most – highlighting where there may be potential assurance 'unknowns or gaps'.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.

Scope

We gathered information on our:

- **critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- **key risks** – found on our strategic risk register or associated with major new business strategy / change.
- **key projects** –supporting corporate priorities / activities.

Methodology

We have developed a combined assurance model which shows assurances across the entire Council, not just those from Internal Audit. We leverage assurance information from your 'business as usual' operations. Using the '3 lines of assurance' concept:

Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.
- The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.

Key Messages

We have high aspirations and a clear, shared vision for all of our children and young people. We want all children in every part of the county to achieve their potential and we will deliver services with our partners guided by our strategic principles to achieve this vision. There is strong political and managerial leadership of Children's Services with a stable, highly competent, and visible Directorate Management Team. The DCS has excellent relationships with partners and LCC staff as well as with schools, including academies. Integration best summaries our approach to the commissioning and delivery of high quality, value for money services. We demonstrate true integration and focus on needs not silo working so families access joined up services.

Overall educational attainment of pupils and post 16 students in Lincolnshire is above the national average and similar local authorities at all stages from early years to those at age 19. We are closing the attainment gap between all pupils and those on free school meals in the early years but we need to accelerate closing the gap at key stage 2 and 4.   School attendance is in line with national average, but the rate of exclusions of pupils from schools has increased. This has been subject to a scrutiny review and an extensive action plan is being progressed to promote a more inclusive approach.

Our Ofsted annual Children's Services assessment (2010/11) confirmed that Lincolnshire performs excellently (Ofsted no longer do this annual assessment). The large majority of services, settings and institutions inspected by Ofsted are good and outstanding. Adoption was judged as outstanding in 2012 and Fostering judged outstanding in 2011. Residential and respite homes are good or outstanding. However the new Ofsted framework, changing legislation and demand management places considerable pressure on the services we offer. We expect an Ofsted inspection shortly and demonstrating good performance will be a challenge in light of the changing expectations.

Front line social care performance exceeds national and statistical neighbours on the majority of indicators (e.g. timeliness of initial assessment over 90% against 70.4% for statistical neighbours) and core assessments are 83% compared with 69%. The numbers of looked after children remain low at 41 per 10,000 compared with the England average of 59. The Children and Young People Scrutiny Committee are currently undertaking a scrutiny review of front line social care. Adoption performance exceeds the new timeframes – the average time (days) between a child entering care and moving in with its adoptive family is 584 compared with the England average of 647, which is outstanding and we are leading the way nationally.
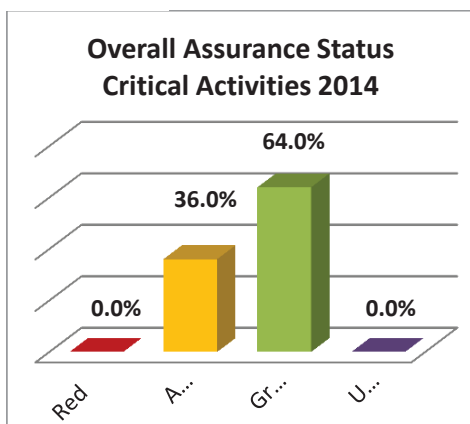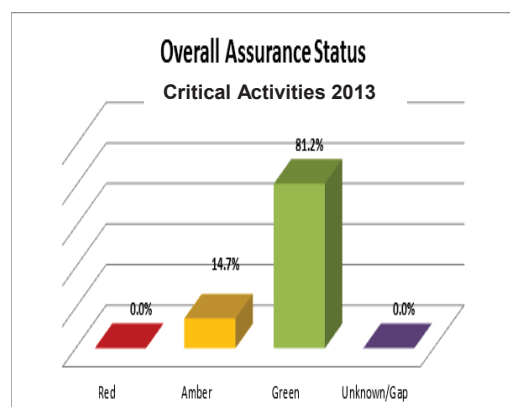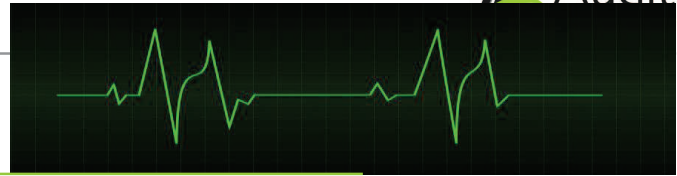
Figure 1

Overall Assurance Status Critical Activities 2014

Figure 2

Overall Assurance Status Critical Activities 2013

Critical Systems

Our Vision is for:

*'Every Child, in every part of the County to achieve their potential'.*

Our principles, which underpin how we will commission and deliver services to achieve our vision are:

- *Early Help:* Strong protective universal services accessible to all with a range of early help available so children have the best start in life and families have extra help when they need it;
- *Safeguarding:* A shared responsibility to ensure children are safe at home, school and in their community;
- *Aspiration:* Children able to thrive and cope with life challenges;
- *Learning and Achievement:* All children being the best they can be with targeted interventions

Local Priorities

- Safeguarding Children

- Ensuring children and families have access to early help services

- Implementing the reforms for supporting children with a disability and special education needs to achieve their potential

- Helping families living in challenging circumstances to turn their lives around through Families working together

- Responding to the challenges of the sustainable services review

- Ensuring all children can access a good or outstanding school so they achieve expected progress and achieve their potential

Figure 2
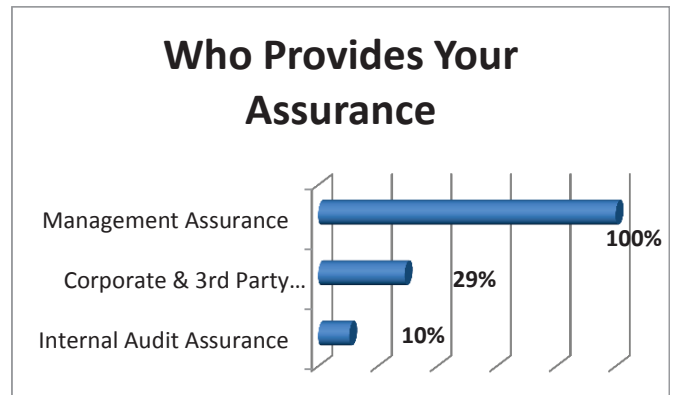
11- 19 Service

The following 4 areas have been given good assurance:

- Planning and Allocations
- Provision for Learners with Learning Difficulties and/or Disabilities
- Post 16 Learning
- Ensuring there is a market for independent careers advice for schools

3 areas have Amber assurance:

- Sixth Forms
- Monitoring performance of schools and academies

Figure 3

11-19 Service

- Red
- Amber
- Green
- Unknown

43%
57%

The network of learning provision for leavers with learning difficulties and disabilities is now well developed and delivering good outcomes for much reduced cost. The post-16 network of providers, particularly schools sixth forms, continue to experience difficulties because of reduced numbers in the 16-19 age group. This places small sixth forms under significant threat, especially as national funding reduces. The tracking of all young people has been prioritised and good progress made but there continue to be difficulties in accessing status reports from other agencies once young people reach age 18. Working with schools, regardless of status, is a priority for the school improvement team. There is a set of protocols for working with Academies. The Scrutiny committee receive reports on the Council's commissioning intentions for post 16.
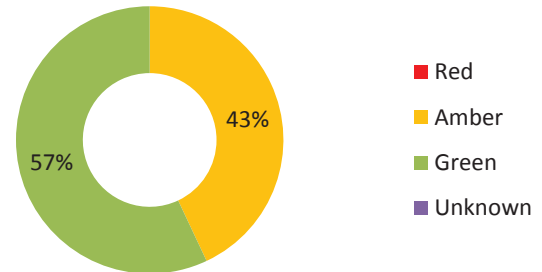
Additional Needs

The Additional Needs Service continues to provide services for the local authority to State funded Schools, and children and parents. 5 areas have good assurance

- Post 16 Learners with Learning Difficultie and Disabilities
- Pupil Referral Unite (PRU)
- Specialist Teaching and Applied Psychology Services
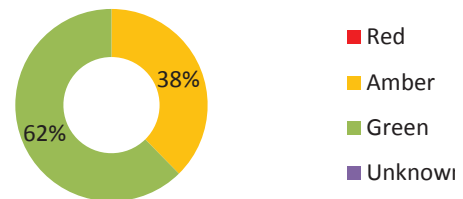- Strategy and Finance
- Commissioning of Providers

We have assessed 3 areas have Amber assurance:

- Special Educational Needs (SEN)
- Education Out of School (exclusions)
- Transition Planning

Figure 4

Additional Needs

- Red
- Amber
- Green
- Unknown

38%
62%

The requirements for the future delivery of Special Educational Needs provision is subject to significant review in light of the Support and Aspiration agenda arising from the Children and Families Bill. The service is, along with other partner agencies, parents, carers and young people in the process of developing Lincolnshire's Core Offer and cohesive assessment process for those young people who will require a single Education, Health and Care Plan. The responsibility to ensure appropriate arrangements for those aged 0-25 will also focus on robust transition arrangements.

The Service has an excellent track record for fulfilling effectively its statutory functions regarding Special Educational Needs assessment. However, new processes are having to be developed to ensure all schools fulfil their duties with regard to transition planning. For an extended period, permanent exclusions have also continued to rise. Measures put in place in the second half of 2013 have had a demonstrable impact on this trend and we await the outcome of a commissioned review in the spring to establish a long term strategy involving all schools.

The management of exclusions has been moved to the School Administration Service from January 2013 and the capacity of the needs assessment team in Additional Needs has been strengthened to enable to manage existing duties while preparing for major legislative changes that begin to be phased-in from September 2014.
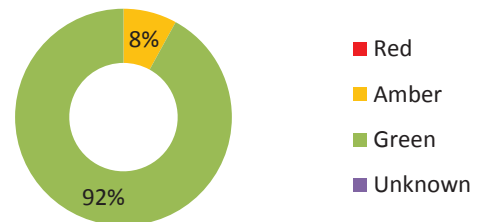
Birth to Five

Figure 5

Birth to Five

The following 11 areas have been given good assurance:

- Support and Advice to Early Years Providers
- Training to Early Years Providers
- Quality Assurance Checks
- Early Years Educational Entitlement Funding (3/4 year olds)
- Inclusion Funding
- Data Exchange System
- E-profile System
- Workforce Development
- Area SENCOs
- Supported Childcare Allocations
- Childcare Sufficiency

8%

92%

- Red
- Amber
- Green
- Unknown

One area has Amber assurance:

- Early Years Educational Entitlement Funding (2 year olds)

National and Local Authority targets continue to be met and externally evaluated performance indicators confirm that the Birth to Five Service continues to achieve a high degree of compliance. Customer feedback and feedback from statutory bodies is very positive.

There have been significant national changes to the Early Years Foundation Stage assessment process in 2013. Lincolnshire outcomes have continued to place the Local Authority in the top 10% across the country. The DfE, through the Achieving 2 Year Olds (A2YO) monitoring, have rated the 2 Year Old Free Entitlement process as good (Green). The recent LA Audit of the Supported Childcare allocations has been graded as having substantial assurance. All areas of responsibility will be reviewed against agreed action plans and actions updated early in 2014 as necessary.

The Early Years Educational Entitlement Funding (2 year olds) is rated amber as this is a new duty which the Council is required to fulfil and although progress is on track, we need to demonstrate that targets have been achieved

Commissioning

Overall management assurance has given 3 good assurances and 3 amber.
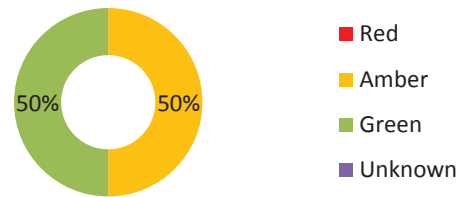
The good ones are:
- Procurement
- Management of Grants and
- Decommissioning of Services

Those areas with Amber Assurance are:
- Contract Management
- Child Poverty Strategy and
- Home to school / college transport

Commissioning

Red
Amber
Green
Unknown

A Transport Review Board is being established to address the issues identified within the service to enable it to meet identified efficiency challenges and to support the budget saving targets set. The Board will include representatives from Commissioning, Transport Services Group, Additional Needs and Finance and will focus on a range of identified priorities including procurement, policy and assessment practice. Scrutiny has received a report on home to school transport

The Child Poverty Strategy now has the agreed governance arrangements in place to monitor and review the progress being made by Partners in achieving their objectives within the Child Poverty Action Plan to support the aims of the Strategy. A Child Poverty sub-group has been established by the Children & Young People's Strategic Partnership (CYPSP) which will have an overview of the Action Plan and will provide an update to CYPSP on progress against this. During 2014 the Strategy will be reviewed in line with the results of the government's recent consultation on the priorities affecting Child Poverty in the UK. The Scrutiny Committee supported the strategy are receive regular monitoring reports

Contract Management in the service is robust and the Joint Evaluation Toolkit used during contract management is currently being refreshed to fit with future service needs.

Performance Assurance

Five areas have good assurance:
- Independent Chairs
- Family Group Conferencing
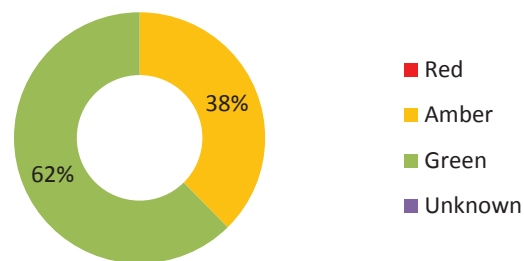- Performance
- Learning & Development
- Parent Partnerships

The areas with Amber assurance are:
- Looked After Children's Education Service
- Family Information Services
- Auditing

Figure 7

Performance Assurance

- Red
- Amber
- Green
- Unknown

38%
62%

Performance Assurance is a portfolio of 14 services and a wide range of thematic leads across all of Children's Services; Health & Safety & Risk, Equality and Diversity, Workforce Development, The Children and Young People's Strategic Partnership, Quality Assurance, Sector Led Improvement etc. Our highest risk areas are in relation to the Independent Chairs/ IRO's and the Looked After Children's Education Service. The movement, retention and recruitment of staff are a critical factor in relation to known risks and managing impact.

Locality Teams

A number of services that were rated as good last year have now been rated as amber. This is due to the challenges that the new Ofsted framework is bringing, both to Inspections of Children's Centres and to social care services, increased demand for services and some instability of management in key locality areas. The mechanisms put in place to continue to develop services, include the appointment of the Principal Social Worker who is working on ensuring consistently good practice across all social care services, the implementation of signs of safety, investment in a national recruitment campaign and in experienced temporary managers, continued partnership working to improve practice in areas of joint working such as section 47s and wider Early Help developments implemented that aim to increase the effectiveness of TAC arrangements.

Policies, procedures and staff training requirements are continually updated in line with lessons learnt following Serious Case Reviews. The Council published a Serious Case Review within this year and all recommendations have been implemented.

Figure 8

Locality Teams

- Red
- Amber
- Green
- Unknown

33%
67%
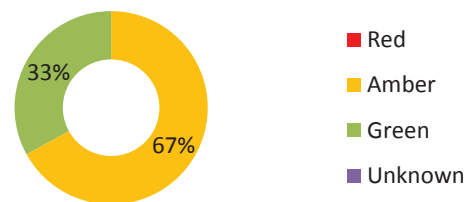
The good assurance was given for:
- Emergency Duty Team (EDT)
- Care Proceedings and Support Panels

Services rated with Amber assurance are:
- Children in Need
- Family Support Workers
- Section 47
- Children's Centres
- Team Around the Child
- Families Working Together

Property & Technology

The service's activities have been given Amber assurance. These include:

- Capital Projects
- School Organisation
- Planning for new schools
- Legal Changes to schools
- Bidding for grants

Figure 9

Property & Technology

- ■ Red
- ■ Amber
- ■ Green
- ■ Unknown

100%

The Property and Technology Management team includes the management of School organisational planning and development, and the delivery of new schools through the Children's Services Capital programme. The team also play a fundamental role in managing any legal processes due to changes to the status of schools also submitting applications to source grant funding where appropriate. There has been a reduction in the legal activity required to ensure smooth conversion of schools to academy status however the conversions do pose a medium risk to the LA as academies may not novate existing contracts leaving LCC with liabilities. This is managed through careful planning.

There is a medium risk to other key elements of the service area i.e. ensuring sufficiency of school places, mainly due to national policy from Department for Education with regard to free schools. This is partially managed through effective internal processes i.e. programme management, data analysis to inform place planning along with strong communication with partners and the building of positive relationships across the Local Authority to ensure expertise is continually shared and developed. However not all of these risks are not able to be mitigated due to national policy.

Financial Support

There is good assurance for financial support in Budget Share Calculations and School Budget Monitoring.

Changes to the funding formula in 2013/14 have made calculation of budget shares simpler. The new census date in October and availability of data from the DfE reduces the time pressure on budget calculation.

Good assurance has been confirmed through LCC audit and through internal evidence of robust systems of financial management.

Figure 10

Financial Support

- ■ Red
- ■ Amber
- ■ Green
- ■ Unknown

100%

Regulated Services

Nine areas have good assurance:

- Adoption
- Fostering
- Looked After Children
- Children's Homes
- Lincolnshire Secure Unit
- Leaving Care Service
- Adoption/Residence/Special Guardianship Allowances
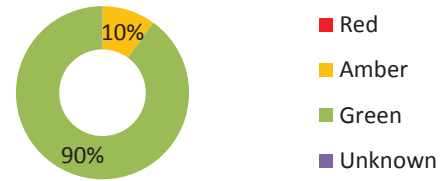- Out of County Provision
- Private Fostering

Figure 11

Regulated Services

Children's Adolescent Mental Health Services have Amber Assurance.

The majority of Regulated Services is subject to third party inspection through Ofsted and these inspections confirm good assurance in those services areas.

CAMHS is not subject to Ofsted inspection. Lincolnshire County Council (LCC) has had the delegated lead commissioning function for the CAMHs service since May 2013. Both LCC and the Clinical Commissioning Groups (CCGs) agree that the new local centralised commissioning of CAMHS provides an opportunity to review current service provision holistically and to re-shape services where required. LCC has recently completed Stage 1, existing service review, consultation and needs assessment of the review. The contract with LPFT is robustly monitored through the contract board, using the Joint Evaluation Toolkit.

School Administration Service

The activities in this service area which include School Admissions and Non Attendance at School have been given Amber assurance.

All school admission policies and procedures are compliant with the admissions code and have been ratified by the Council. There have been no external adjudicator referrals for non-compliance. Over 92% of parents still continue to receive their first preference of a school for their child. The Council continues to administer a non-statutory mid-year admissions scheme for approximately 85% of families.

Significant changes have been made to those policies that relate to school attendance; particularly for those groups of children that are missing education, educated at home by their parents or poorly attending school.

Figure 12
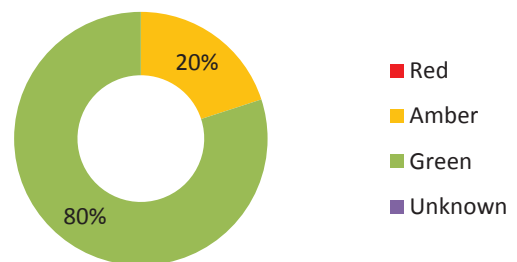
School Administration Service

2014 will see the expansion of this work to look at those children that are on roll of a school but not receiving their entitlement of 25 hours education per week.

This service area includes traded services for schools. Service uptake by schools and academies is positive but it is too early to robustly evaluate the success of traded services.

Schools

Provision to schools has good assurance through School Improvement Service which is undertaken by our strategic partner CfBT.

This contract is managed through monthly meetings, using JET (Joint Evaluation Toolkit) methodology, which ensures its good assurance.

CfBT are working on a comprehensive resource plan.   This element is amber.

Figure 13

Schools

Monitoring of academies – a protocol has recently been put in place by CfBT to monitor the performance of academies so that each academy has at least an annual review of performance and appropriate follow up as and when necessary.

Children with Disabilities

Five areas were given a good assurance:

- CWD
- The Beacon
- ESCO
- Short Break Homes

The Sensory Education Support Service was given Amber assurance.

There are good systems, processes and audit arrangements across Children with Disability services. Some school based provision for sensory impairment will be required this year and any transition of arrangements in light of changing legislation in this area will be effectively planned.

The Children's Homes for children with disability are subject to third party assurance through Ofsted.

Figure 14

Children with Disabilities

- Red
- Amber
- Green
- Unknown

17%
83%
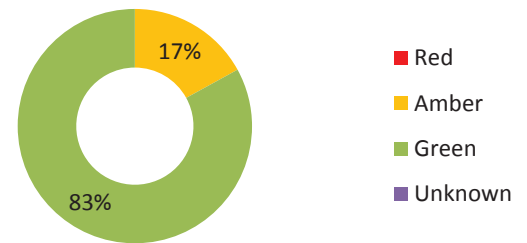
Suggested next steps……

- To continue to monitor and provide good quality services that improves outcomes for children and young people.

- To work with the Clinical Commissioning Groups to implement the recommendations of the Sustainable Services Review

- To respond to external inspections , findings from local and national Serious Case Reviews and from Scrutiny reviews

- Delivery of Planned Internal Audit work for 2012/13 in the following areas:
  - Child Poverty Strategy
  - Families Working Together
  - 14 – 19 Service
  - Domestic Abuse

- Work with our Internal Auditors to develop the 2014/15 Internal Audit Plan. Identifying where more independent assurance is required based on significance and risk of the activity, and where we can leverage assurance from other sources.

Strategic Risks

A key strategic risk for Children's Services continues to be any potential failure to safeguard children. Work is ongoing to ensure that these risks are mitigated and children in Lincolnshire continue to have an outstanding safeguarding and early help service.

Examples of mitigating actions include:

- Audit of Section 11 (being conducted by People Management - Induction, Recruitment, Contract)
- Audit & Performance information to DMT for scrutiny
- Safeguarding Assurance days
- Independent Chairs - and Independent Reviewing Officers who quality assure the care plans of looked after children and children subject to child protection plans
- Team Manager Audits
- Lincolnshire Safeguarding Children Board Serious Case Reviews and Significant Incident Reviews
- Practitioner Supervision & Appraisal

Council's highest rated Strategic Risks for this area of the business

Safeguarding

Strategic Risks - Assurance Map as at 31st October 2013

RAG Rating for level of assurance Red (R)/Amber (A)/Green (G)

OWNER	RISK APPETITE	CURRENT RISK SCORE	TARGET RISK SCORE	DIRECTION OF TRAVEL	Management Assurance Status (Full, Substantial, Limited, No)	Corporate Functions & Third Party	Internal Audit	OVERALL ASSURANCE STATUS	COMMENTS
Promoting Community Wellbeing & Resilience									
Safeguard children	Debbie Barnes	**Cautious** **(Regulatory standing & legal compliance** - recognised may need to change the ways things are done but will be tightly controlled**)**			Static	G	Unknown	A	G	Owner confident of a 'Substantial' status due to proactive & reactive actions in place. *Sources of information - Internal audit of Child protection plans*

Key Projects in Children Services

Families Working Together – Amber

"Families Working Together"(FWT) Service is Lincolnshire's response to the Government's "Troubled Families" Programme. The team consists of 40 Key Workers who work holistically, intensively and long-term with families. The Project continues to make good progress both in terms of the numbers of families identified and the numbers of families being worked with by FWT or partner organisations. Both exceed the progress measures set to achieve Government targets by 2015. The key concern continues to revolve around the target to 'turn around' 1370 troubled families in Lincolnshire by March 2015. Lincolnshire expects to have achieved around 40% of this number by January 2014. A combination of; staff being fully trained, the team reaching full capacity by January 2014 and an improved performance management system, will contribute significantly towards an increase in subsequent DCLG results claims. Whilst the service is providing much needed support for change for families, the service development is also about transformational change and embedding a whole new approach to working with families in Lincolnshire in the longer term.

Youth & Community Development – Green

There has been significant progress in the Delivery of Youth Centre provision through local communities. A summary of the position is provided in the table below.

Of the original 40 centres:
- 10 have been awarded grants and are delivering activities
- 7 have buildings leased or let and are delivering positive activities
- 8 have buildings to be leased and positive activities delivered
- 13 centres, and the activities to be delivered, are under negotiation with interested parties
- 2 buildings are to be retained; positive activities to be delivered by community

Of particular significance is the new and emerging work that the Youth and Community Development Workers are engaged in with 17 new locations being explored for the delivery of positive activities.

Raising the Participation Age – Green

The first phase of Raising the Participation Age which places a duty on young people to participate in education or training until the end of the academic year in which they turn 17, commenced on 28 June 2013. They were not however required to participate until the traditional start of the new academic year in September 2013.

Data for October 2013 shows that 1.3% of 16 year olds and 2.7% of 17 year olds are not in education, employment or training but are available to participate. These figures are an improvement on previous years before the duty was implemented. Work continues to ensure young people are aware of the duty and to ensure sufficient appropriate provision is available to enable them to exercise the duty, including preparation for the next phase from September 2014, when the duty to participate is extended to the age of 18.

Support & Aspiration - Amber

The programme is intended to deliver the reforms to SEN support set out in the Children and Families Bill by 1st September 2014. A SEN local offer and new approaches to SEN assessment and provision are being co-produced with parents and young people. We intend to invite Department of Education representatives to review our progress to seek local assurance on our progress.

Looking Ahead

People

People are key to the work we do. Children's Services are committed to developing staff and ensuring that staff are delivering in an efficient way.

Money

Children's Services budget continues to be robustly managed in a time of challenge.

Resilience

Children's Services have sound processes to ensure and maintain resilience, including a clearly communicated Business Continuity Plan.

Localism

Children's Services continues to work in a local way through area offices and Children's Centres and ensuring the child and family are at the centre of our work.

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Resources and Community Safety	

Report to:	**Audit Committee**
Date:	**27 January 2014**
Subject:	**Work Plan**

Summary:

This report provides the Committee with information on progress on agreed actions and its work plan up to 31st March 2014.

Recommendation(s):

1. Review the progress of agreed actions in Appendix A.
2. Review the work plan set out in appendix B and identify changes.
3. As part of the review of the system of Internal Audit, it was agreed to undertake a self-assessment on the effectiveness of the Audit Committee. This will be undertaken after the March 2014 meeting.

Background

1.1 An agreed action plan has been pulled together to help the Committee keep track of actions during meetings or workshop (see Appendix A).

1.2 The work plan is based on the core activities of the Committee as set out in its terms of reference and best practice (see Appendix B).

Conclusion

The work plan helps the Committee monitor its work programme and keep track of areas it requires further work and/or assurance.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Agreed Actions
Appendix B	Work Plan to March 2014

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Agreed Action	Person Responsible	Target Date	Outcome / Progress
Briefing papers occasionally for Programme Centre : • Risk Management • Key projects and support areas	-	-	Keep on work plan as reminder.
Strategic Risk Register – oversight of Maintaining Good Governance Risk following update by David O'Connor at the November 2013 meeting. At that time Substantial Assurance given but the direction of travel was declining	Chairman of Audit Committee	On-going	• Briefing paper presented to Management Board 4th December 2013 – agreed formal review of local standards regime and member / officer development. • Local code of governance updated and presented to Management Board 4th December 2014 – consultation to commence in February 2014 Note – New monitoring officer arrangements to be determined in light of Senior Management Review (wef April 2014).

Completed Actions			
Assurance Sutton Bridge continuity arrangements (Appendix C)	Derek McKim		September 2013
External & Internal Audit Protocol developed that clarifies expectations and makes the best use of the combined Audit resource	Lucy Pledge		September 2013
IMT Audits Update	Judith Hetherington-Smith	November 2013	November 2013
Schools update	Julie Castledine	January 2014	January 2014

Assurance Flooding responsibilities: • Working with partner organisation • Feedback from the Flooding 2012 investigations	David Powell		Cleared.

Possible areas for work plan

- Regulation of Investigatory Powers Act (RIPA)
- Compromise Agreements
- Annual report on complaints process / ombudsman reports

	0930 Pre Meeting 27th January 2014	0930 Pre Meeting 31st March 2014	0930 Pre Meeting 23rd June 2014	0930 Pre Meeting 21st July 2014	0930 Pre Meeting 22nd September 2014
1.	Internal Audit Progress Report	Risk Management Update			
2.	External Audit Progress Report	Counter Fraud Update			
3.	School Control Environment	Internal Audit Plan 2014/15			
4.	Counter Fraud Progress Report	Counter Fraud Annual Plan 2014/15			
5.	Money Laundering Report	Combined Assurance – Outcome Reports • Public Health • Performance and Governance			
6.	Financial Procedure - Risk Management *(Moved to March)*	• Internal Audit Quality Assurance Improvement Programme & Plan			
7.	Annual review of the Local Code of Governance - including Annual Governance Statement 2013 Update	• Future Development of Support Services – Assurance over transition / handover risks associated with this programme / project			
8.	Combined Assurance – Outcome Reports • Resources and Community Safety • Communities • Children Services	Audit Committee Workshop – PM • Executive Directors update • Assessment of the Committees effectiveness			
9.	Private meeting with Auditors	• Development of the Committees work plan			
		Financial Procedure - Risk Management			

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