

1 May 2019**Agenda Item: 4****REPORT OF THE CHAIRMAN OF THE GOVERNANCE & ETHICS
COMMITTEE****GOVERNANCE & ETHICS COMMITTEE ANNUAL REPORT 2018/19****Purpose of the Report**

1. To approve a report to the County Council on the work of the Governance & Ethics Committee since its establishment in June 2017.

Information

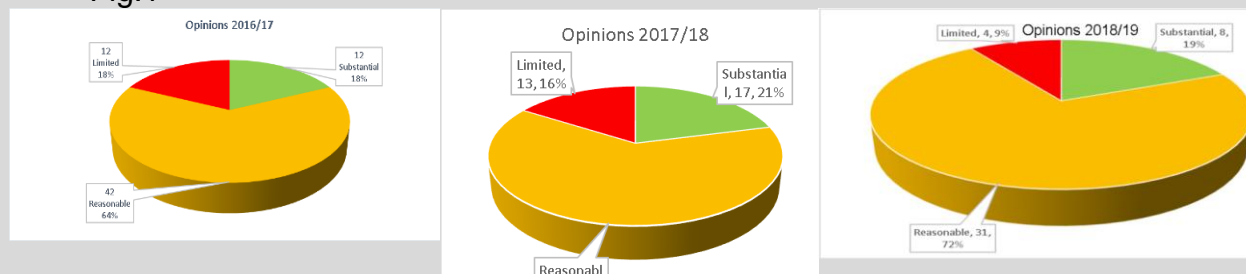
2. The Governance & Ethics Committee was established following the County Council elections in May 2017, and it held its first meeting in June 2017. It is comprised of 10 County Councillors who meet 8 times per year.
3. The Committee's terms of reference are set out in the County Council's constitution. It is serviced regularly by professional officers working mostly in the Chief Executive's Department in the key functional areas of finance, internal audit, legal and democratic services, information management and corporate risk management. The Committee's role subsumed that of the former Audit Committee and it now extends further to incorporate wider responsibilities, for example relating to codes of conduct and dealing with alleged breaches of the codes.
4. At its meeting in July 2018, the Committee agreed to implement an annual report on how effectively it has discharged its key roles and responsibilities. This first report takes an extended look back at the work of the Committee since its inception in May 2017, with a particular emphasis on the work carried out in 2018/19. The report also sets out proposed priorities for the Committee in 2019/20.

Achievements against the Committee's terms of reference

5. **Appendix 1** presents a matrix of the key business dealt with by the Committee, mapped against each of its roles and responsibilities set out in the County Council Constitution. There are a number of notable achievements, summarised as follows:
 - a) Internal control framework: a significant area of focus for the Committee over the past year, and since its establishment, has been to provide support to Internal Audit in its work to review and recommend improvements to the Council's internal control framework. This has been achieved in part through scrutiny of Internal Audit's regular updates on the outcomes of its work, but in particular through the pro-active role the Committee takes in

driving through the service's recommendations. Where progress with implementing actions agreed by management is reported to be behind schedule, the Committee has requested both verbal and written updates from senior managers. This has re-energised commitment to implementation in a number of important areas for service users.

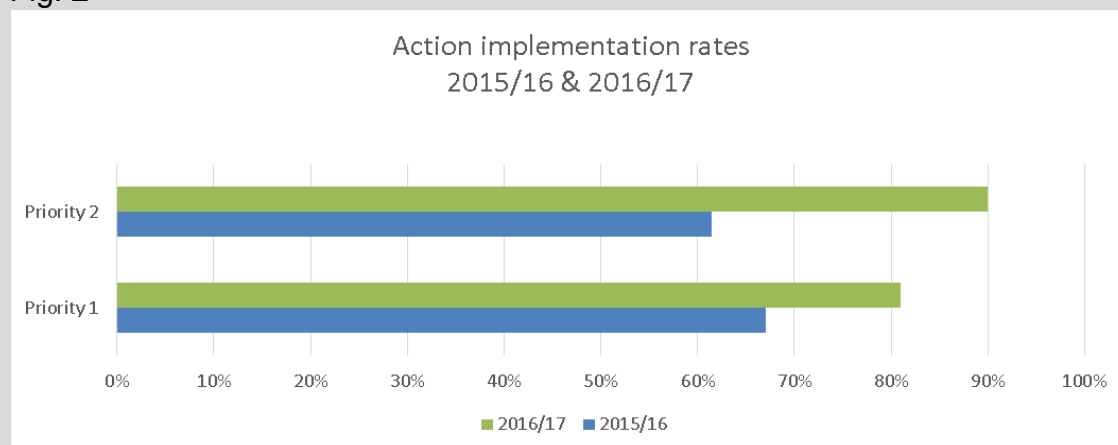
Fig.1



The proportion of 'limited assurance opinions issued by Internal Audit has reduced slightly in the past three years. Head of Internal Audit's rolling opinion has remained steady over this time:

'...a satisfactory level of internal control continues to be in operation in the Council.'

Fig. 2



Implementation rates for Internal Audit recommendations have increased since the Governance & Ethics Committee has been pro-active in this area.

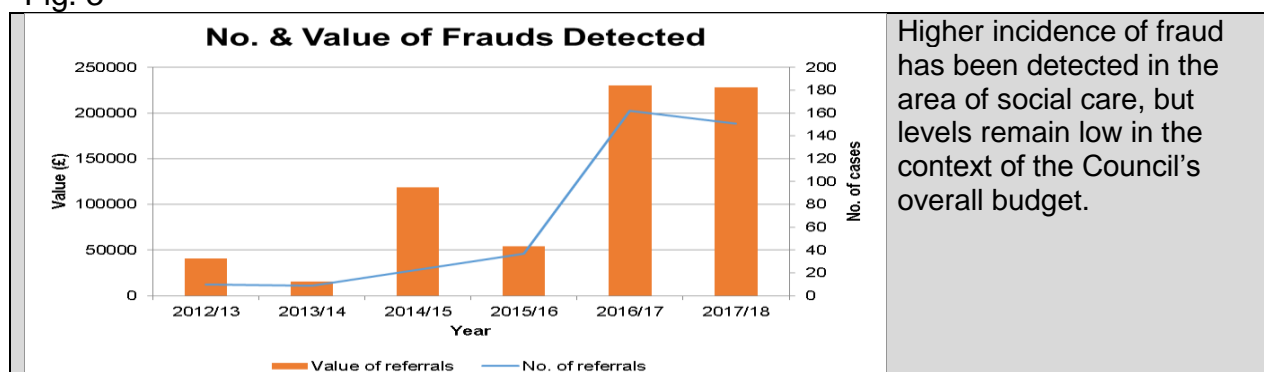
The Committee has been similarly supportive of the work of the Council's external auditors, again receiving updates on progress with the annual audit, and confirming an appropriate response from management to the findings and recommendations reported.

- b) Development of the internal audit function: In support of the above, the Committee has overseen and encouraged two notable developments in the internal audit service. Firstly, the approach to audit planning has transitioned from an annual plan to rolling, four-monthly (termly) plans. This is promoting tighter focus on plan delivery and it designs in flexibility to respond to emerging risks. Secondly, the Committee endorsed a collaboration arrangement with the Assurance Lincolnshire partnership, and the in-house service was beginning to see some early benefits from this in the second half of the year.
- c) Assurance mapping: The Committee approved a pilot approach to an assurance mapping process for the Council. This progressed in phases throughout the year and the Committee will review its benefits and future direction at today's meeting. It is anticipated

that the process will prove to be an important source of information for the Committee in determining its priorities each year.

- d) Counter-fraud: the Committee has now considered two editions of the Annual Fraud Report, which is compiled by Internal Audit. This has provided important context that the incidence of fraud in the Council is low, whilst also providing an opportunity for the Committee to reinforce the zero tolerance approach where issues have arisen. The Committee has received regular updates on progress with the Council's pro-active counter-fraud programme, and the Committee has encouraged all staff and stakeholders to voice concerns wherever reasonable suspicions arise through the refresh of the Council's Fraud Response Plan. The annual report for the Council's Whistleblowing scheme has added further insight in this area.

Fig. 3



- e) Annual Statement of Accounts and Annual Governance Statement: The Committee has overseen compliance with the shortened timescales for preparing and approving the Council's financial accounts. Alongside these, the Committee has approved the Annual Governance Statement and the refresh of the supporting Local Code of Corporate Governance.

Fig. 4

2017/18 accounts approved at July 2018 committee.
2018/19 accounts scheduled to be approved at July 2019 committee



- f) Standards of conduct: The Committee reviewed a revised Code of Conduct for Councillors and Co-opted Members during 2017/18, giving it final approval in March 2018. The Committee's work around standards of conduct continued in 2018/19, through the approval of a revised policy for Councillors' Divisional Funds. Use of funds against the revised policy were scrutinised later in the year, as were councillors' use of resources in support of their day-to-day duties.

- g) Information Governance: The Committee has received regular updates on progress with the Information Governance Improvement Programme, which is the Council's two-phase response to the changes necessitated by the enactment of the General Data Protection Regulations in May 2018. Continuing six-monthly updates have been agreed.
- h) Risk management: two update reports have been considered on the arrangements in the Council for risk management. Committee is developing an understanding of the key processes and issues impacting on this area of activity, and regular, on-going reports will afford Committee the opportunity to scrutinise further.
- i) Local Government Ombudsman Reports and Complaints: The Committee has taken a firm stance to be transparent in its approach to considering issues arising from service users' complaints about Council services. All decisions of the Ombudsman are scheduled for consideration by Committee at each meeting as the reports are received throughout the year. The relevant senior officers are invited to attend, where appropriate, to advise of actions taken where complaints have been upheld. Complaints received and dealt with through the Council's own arrangements have also been considered on a periodic basis.
6. The Committee has made appropriate use of the full range of powers delegated to it under the terms of the Constitution, as summarised below:

Delegated power	Summary of activity
Decision- making	Decisions have been taken at each Committee meeting in relation to the areas of activity within the Committee's remit
Policy development	Council policy has been determined and proposed in relation to: <ul style="list-style-type: none"> • Code of Conduct for Councillors and Co-opted Members • Use of Councillors' Divisional Funds • Councillors' participation with Outside Bodies and its impact on their Council duties • Operation of the Council's Petitions Scheme
Performance review	In relation to Internal Audit: <ul style="list-style-type: none"> • Periodic updates on service delivery • Engaging an external quality assessor, agreeing the scope of the external review and reviewing the assessor's report • Approving the proposed collaboration with Assurance Lincolnshire In relation to Legal Services <ul style="list-style-type: none"> • Receiving an update on the service's Lexcel accreditation, which is Law Society's legal practice quality mark for excellence in practice management and client care
Review of officers' decisions	Annual scrutiny of decisions taken by officers to waive financial regulations
Consultation responses	Approved responses to consultations on the following: <ul style="list-style-type: none"> • Department of Communities & Local Government consultation on disqualification criteria for councillors • Consultation relating to the Committee on Standards in Public Life
Staffing restructures	Review and approval of the proposed restructure of the Democratic Services Team
Attendance at conferences	Approval for the Vice Chairman of the Committee to attend the Public Sector Audit Appointments (PSAA) Local Audit Quality Forum in Manchester in November 2018. A report on the outcome of the Forum was considered by Committee in January 2019.

7. There has been no activity to date with regard to the investigation of alleged breaches of the Councillors' Code of Conduct. The Committee is able to convene a sub-committee for this purpose, but the need has not arisen.




Member training and self-assessment

8. Committee engaged with a self-assessment of its own effectiveness against CIPFA's publication, 'audit committees – Practical Guidance for Local Authorities and Police'. This identified a number of areas of strength, along with some opportunities for future development. One of these was to implement this annual report, and the other key actions arising from the assessment are summarised below:
- Potential gaps in assurance reported to the Committee:
 - the arrangements in the Council to ensure, and the progress in achieving, Value for Money
 - governance arrangements in partnerships
 - stronger links with the work of the Improvement and Change Sub-Committee to provide assurance in relation to Council performance
 - Areas of activity in which Committee Members wish to receive further training
 - internal audit
 - corporate risk management.

Priorities for 2019/20

9. In addition to the issues arising from the self-assessment exercise above at paragraph 8, the future content of the Committee's Work Programme is being informed by the assurance mapping pilot that the Committee commissioned in 2018/19. This was approved to focus on three core aspects of governance: financial management; risk management; and performance management. At the time of compiling this report, the outcomes from this exercise were being assembled for a report to Committee in May 2019. It is anticipated that this will enable the Committee to consider the following:
- Aspects of governance which are evidencing lower levels of assurance, either by virtue of there being inadequate sources of assurance or due to the evidence available showing cause for concern. This may suggest areas for greater scrutiny by Committee in the coming year
 - Aspects of governance for which there is a surplus of assurance, or in which the evidence identifies consistently stable and positive levels of assurance. Committee may decide to divert assurance efforts away from these areas in the coming year.
10. An early task for the Committee in 2019/20 will be to review its Work Programme to ensure it properly reflects the priorities identified by this report and the assurance mapping exercise. Once priorities have been agreed, a schedule of reports will be built in to the Work Programme to deliver the assurances the Committee wishes to receive over the course of the coming year.
11. It is proposed that key priorities for the Committee in 2019/20 should embrace a blend of its core duties as set out in the Council's Constitution, along with developmental activities to help maintain a high degree of focus on governance and ethical values in the Council. It should also be a priority for the Committee to carry out appropriate training and development

activities for its members, to ensure all feel suitably skilled and confident in carrying out the important role they play in the Council's governance framework. The following are potential priorities in 2019/20 for Members to discuss:

	<p>Core business</p> <ul style="list-style-type: none"> ➤ Statement of accounts ➤ External audit plans and outcomes ➤ Internal Audit plans, outcomes and implementation of recommendations ➤ Counter-fraud – with a particular emphasis on the key, external threats and the Council's processes for recovering losses ➤ Oversight of complaints and Ombudsman reports – to continue the transparent approach adopted to date ➤ Information governance ➤ Corporate risk management ➤ Member conduct
	<p>Promoting strong governance and sound ethical values</p> <ul style="list-style-type: none"> ➤ Expansion of assurance mapping ➤ Arrangements for determining the Council's risk appetite ➤ Interaction with other Committees and Sub-Committees ➤ Reviewing the Council's ethical framework ➤ Regular updates of the Annual Governance Statement ➤ Self-assessments against best practice guidance for governance and ethics ➤ Annual report to Full Council ➤ Consultations on Internal Audit plans to embrace regular meetings with Committee Chairs and Opposition Spokespersons
	<p>Member training</p> <ul style="list-style-type: none"> ➤ The internal audit process, using a case study approach ➤ Risk management concepts and their application using a case study approach ➤ Links with other county and regional audit committees ➤ Participation at regional and national conferences and seminars ➤ Introduction of more regular and targeted briefing sessions with key officers

Other Options Considered

12. The Committee agreed the implementation of an annual report of its activities at its meeting in July 2018. No other options were considered.

Reason for Recommendation

13. To provide assurance to the Council that the Governance & Ethics Committee is delivering against the terms of reference for the Committee, as set out in the Constitution.

Statutory and Policy Implications

14. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

The remit of the Governance & Ethics Committee is to direct and receive assurance that the Council is meeting many of the issues identified above. Its work since establishment in May 2017 has addressed many of the above.

RECOMMENDATION

- 1) That Committee agrees the content of this report to formally appraise the County Council of the achievements of the Committee to date, and to set out the Committee's planned areas of work for the coming year.

Councillor Bruce Laughton
Chairman of the Governance & Ethics Committee

For any enquiries about this report please contact:

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Constitutional Comments (LW 11 /04/2019)

15. Governance and Ethics Committee is the appropriate body to consider the content of the report.

Financial Comments (RWK 11/04/2019)

16. There are no specific financial implications arising directly from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All