

REPORT OF THE CHAIRMAN OF THE GOVERNANCE & ETHICS COMMITTEE

GOVERNANCE & ETHICS COMMITTEE ANNUAL REPORT 2022/23

Purpose of the Report

1. To report to the County Council the work of the Governance & Ethics Committee in 2022/23 and the intended areas of focus for the current year.

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 11 County Councillors.
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 is the Committee's fifth annual report.

CIPFA Position Statement: Audit Committees in Local Authorities

5. This annual report has been compiled following audit committee guidance from CIPFA and recognition of the position statement which represents best practice and principles for local government bodies in the UK. The position statement sets out the purpose, independence, core functions, membership, outputs and impact for an effective audit committee to meet statutory responsibilities for governance and internal control. A self-assessment against these principles and evaluation of the impact and effectiveness of the audit committee has been undertaken to inform the subsequent contents of this report.

Achievements against the Committee's terms of reference

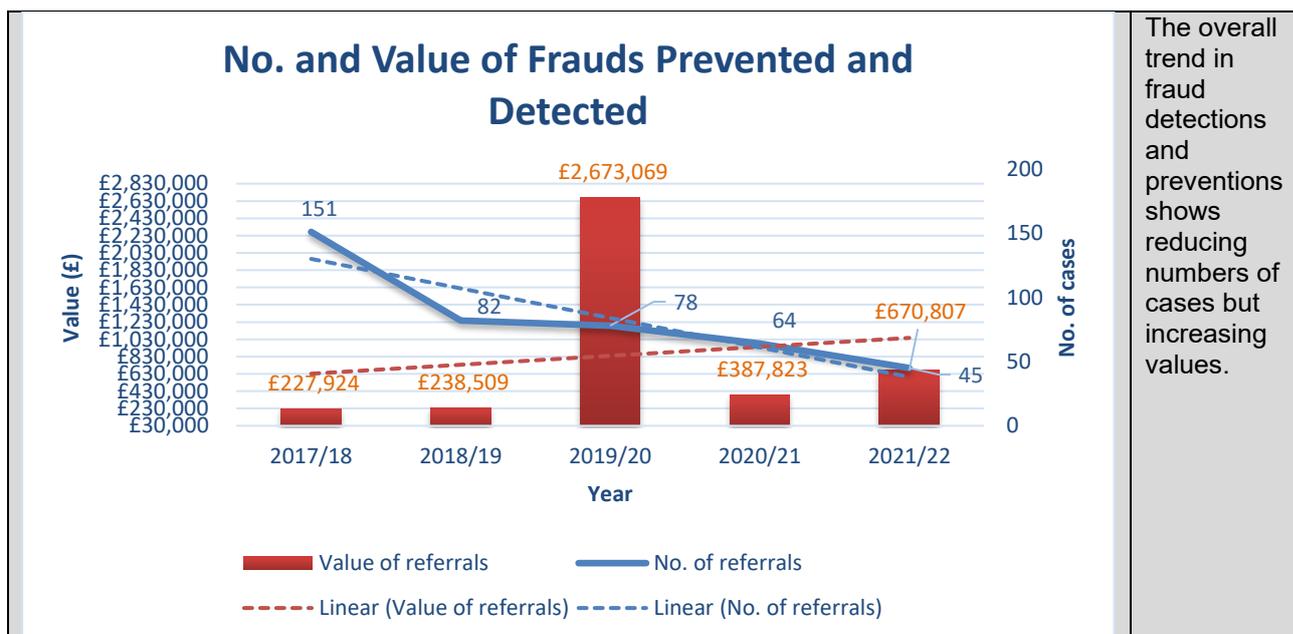
6. **Appendix 1** presents a matrix of the key business dealt with by the Committee, mapped against each of its roles and responsibilities set out in the County Council Constitution. There are a number of notable achievements, summarised as follows:

- a) **Internal control framework:** the Committee has maintained its strong focus on supporting the work of Internal Audit, and it has received regular assurance from the service regarding the effectiveness of the Council’s arrangements for governance, risk management and control. The follow-up of Internal Audit’s recommendations was previously flagged as an area of concern because the implementation rate for Priority 1 recommendations was declining during the pandemic. However, proactive work by the Internal Audit Team, supported by the Committee, has seen improvements during the year and implementation rates for Priority 1 recommendations have returned to target levels. This proactive work will need to continue in the current year to ensure implementation rates are maintained and to drive agreed improvements through the implementation of agreed actions. The development of continuous auditing has provided a routine review of core processes undertaken by the Council and has provided members and statutory officers continuous assurance that controls are being maintained. Where indicators of weaknesses are identified a deep dive approach has been adopted to review the root cause and ensure that assurance controls are being effectively maintained.

	<p>The Head of Internal Audit provided a consistent and satisfactory opinion on the Council’s arrangements across governance, risk management and control.</p>
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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) **Assurance mapping:** This continues to provide important intelligence for the Committee by capturing sources of assurance from across the Council in order to determine where it may require additional assurance in the following year. Work is currently being undertaken to enhance the reporting for future years by capturing assurance provided by outside bodies and external organisations working with the Council. Internal Audit work has continued to consolidate the coverage of the assurance mapping exercise and the assurance this provides the Committee around the Council’s key governance processes, to complement the termly planning and Annual Governance Statement.
- c) **Counter-fraud:** the Committee considered the Annual Fraud Report and a six-monthly update, which continued to evidence that the incidence of fraud in the Council is low. Nonetheless, the Committee reinforced the zero-tolerance approach where issues have arisen and continued to encourage all staff and stakeholders to voice concerns wherever reasonable suspicions arise. The Committee has maintained oversight of the Council’s pro-active counter-fraud programme which has included additional awareness materials and training for schools. The annual reports for the Council’s Whistleblowing scheme and the use of the Regulation of Investigatory Powers Act 2000 added further insight in this area.



- d) **Annual Statement of Accounts and Annual Governance Statement:** The Committee received and approved these Statements for 2021/22 in accordance with the statutory timescales. The Committee also received and considered the subsequent Annual Audit Findings Report 2021/22 from the external auditor. The Committee received regular updates during the year on progress against the Annual Governance Statement's action plan in the form of Governance Updates.
- e) **Risk Management:** The Committee are aware of the outcome of an external review of the Council's arrangements by the Council's insurers, Zurich. This identified scope to strengthen the Council's framework, and the Committee agreed an action plan for improvement. Work in the action plan has been completed by Zurich with each department and a new proposed reporting format for the Corporate Risk Register developed along with a routine reporting format. It is planned for these documents to be endorsed by Risk, Safety & Emergency Management Board (RSEMB) and CLT and subsequently presented to Committee.
- f) **Councillors' Divisional Funds:** A member working group completed its review of the Councillors' Divisional Fund policy and procedures which were subsequently accepted by the Committee. The review enhanced the internal control arrangements and reporting requirements for the scheme to ensure transparency and accountability. Following a review of expenditure allocations Full Council in February 2023 approved these annual allowances being reduced to £3,000 from 1 April 2023.
- g) **Local Government Ombudsman Reports and Complaints:** The Committee continued its 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. Committee Members and officers recently met with the Ombudsman to clarify the reporting and sanction processes. Useful

insight has been obtained in relation to the challenge and redress processes that the Council can take on board.

- h) **Expenditure review programme:** The Chairman and Vice-Chairman of the Committee participated in the Member-led review of Children’s Services. The next scheduled Governance & Ethics Committee review, of Adults’ Day Services, has been necessarily delayed due to the ongoing resource pressures.

7. The Committee has made appropriate use of the 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
Performance review	Periodic updates of the service delivered by Internal Audit In relation to Internal Audit Progress against the Annual Governance Statement Action Plan
Review of officers’ decisions	Annual scrutiny of decisions taken by officers to waive financial regulations
Consultation responses	Considered the Council’s response to district level governance and electoral reviews

Position Statement review and action plan

8. Paragraph 5 of this report introduced the CIPFA guidance and position statement. This section of the report considers these principles against the achievement of the Governance and Ethics Committee. Each principle is considered in turn:

- Purpose – this is defined through the constitution and terms of reference and the preceding contents demonstrate oversight of internal and external audit together with financial and governance reporting.
- Independence – in line with the constitution and terms of reference the Governance and Ethics Committee is independent of the executive decision-making process.
- Core Functions – the preceding paragraphs and Appendix 1 identify how the committee have oversight of a range of core governance and financial arrangements.
- Membership – in line with the terms of reference, membership and attendance at the Governance & Ethics Committee the appropriate level of knowledge, expertise, understanding and interest is demonstrated. The Chairman and Vice Chairman meet regularly with the Interim Chief Internal Auditor.
- Outputs & Impact - the Governance & Ethics Committee meet eight times a year which includes attendance by senior officers and has exercise the right to call in other officers for accountability. The Governance & Ethics Committee monitors the output and impact of work undertaken especially in relation to internal and external audit activities.

9. Having reflected on the position statement and the self-assessment undertaken it is proposed that key actions for the Committee in 2023/24 should embrace a blend of its core duties as

set out in the Council’s Constitution, along with training and developmental activities to help maintain a high degree of focus on governance and ethical values in the Council. The following are potential actions in 2023/24 for Members to discuss:

	<p>Member training</p> <ul style="list-style-type: none"> ➤ Understanding the role of the Committee in the context of the CIPFA guidance ➤ Risk management concepts and their application, following full implementation of the Council’s revised process for risk management ➤ Links with other county and regional audit committees ➤ Participation at regional and national conferences and seminars ➤ Completion of more regular and targeted training sessions with key officers
	<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 prevention & awareness along with external threats ➤ Oversight of complaints and Ombudsman reports ➤ Oversight of assurance from outside bodies and external organisations ➤ Information governance assurance ➤ Corporate risk management assurance ➤ Member conduct
	<p>Promoting strong governance and sound ethical values</p> <ul style="list-style-type: none"> ➤ Reviews of significant areas of Council expenditure ➤ Continuation of assurance mapping ➤ Arrangements for determining the Council’s risk appetite ➤ Reviewing the Council’s ethical framework ➤ Regular updates of the Annual Governance Statement ➤ Self-assessments against CIPFA best practice guidance ➤ Annual report to Full Council

Other Options Considered

10. The only other option considered was to not produce this report, however as the Committee agreed the implementation of an annual report of its activities at its meeting in July 2018 this option was rejected.

Reason for Recommendation

11. 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

12. 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 the Governance and Ethic Committee endorse the Annual Report and recommend that Council considers the achievements of the Governance & Ethics Committee and endorses its intended areas of focus for the current year.

Councillor Philip Owen
Chairman of the Governance & Ethics Committee

For any enquiries about this report please contact:

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Constitutional Comments (EKH 29/03/2023)

13. This report is to inform Council and Council has the authority to consider the report.

Financial Comments (SES 22/03/2023)

14. 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