

Lancashire County Council

Annual Governance Statement 2012/2013

1. The council's responsibilities

- 1.1. Lancashire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/ SOLACE Framework 'Delivering Good Governance in Local Government' and is available on the Council's website; hard copies can be obtained by contacting Roy Jones on 01772 533619. This local code will be reviewed and revised during 2013/14.

2. The purpose of the governance framework

- 2.1. The governance framework comprises the systems and processes, culture and values by which the council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 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 on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood 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 Lancashire County Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. The council's governance framework

- 3.1. The following paragraphs set out highlights of the key elements of the council's governance framework, and areas where further work is being undertaken to improve this where necessary.

Communicating and reviewing the Council's vision for communities and service users

- 3.2. The council has a Corporate Strategy which sets out its vision for Lancashire for the period 2013-17. The strategy is refreshed annually to reflect changes in both local and national priorities.
- 3.3. To measure the effectiveness and delivery of the council's ambitions, the Council's Cabinet Committee on Performance Improvement regularly reviews the performance of services against local and national indicators and the Corporate Strategy. The council's management is currently working to embed more effective performance measures across a wide range of its services.
- 3.4. The council engages with the communities of Lancashire in a number of ways:
- High profile communication campaigns to encourage communities to take up our services or help change behaviours;
 - Use of traditional and new media channels to keep residents informed of our activities;
 - Encouraging elected members to use social media;
 - Webcasting of council and committee meetings; and
 - Member representation on neighbourhood management boards across Lancashire.

Decision-making and conduct

- 3.5. The council operates a leader and cabinet model of executive government with a Cabinet of eight members including the Leader and Deputy Leader of the Council. The responsibilities of the individual Cabinet members are outlined in the council's constitution.
- 3.6. The scheme of delegation to officers is intended to enable decisions to be taken at the most appropriate and effective level, and is currently being reviewed. The council's Financial Regulations and Cabinet Member delegations are likewise being reviewed to ensure that they remain effective.
- 3.7. The Council operates a decision making protocol, which is regularly reviewed to ensure the legal and financial probity of decisions of the Council, the executive and committees. New software is also being developed to support consistency and good governance in decision making. Decision making rules are clearly outlined within the Council's constitution.
- 3.8. The code of conduct for members and the terms of reference of some of the council's committees were revised during 2012/13 to reflect changes to the governance arrangements arising from the Localism Act

2011. A new Conduct Committee was established during the year to consider complaints made against members of the Council, as the former Standards Committee was disestablished. The council has a protocol for councillor/ officer relations.

Arrangements for scrutiny

- 3.9. The council has three scrutiny committees. The Scrutiny Committee whose coverage includes the council's crime and disorder partnership and flood risk management. The Health Scrutiny Committee has the statutory role of scrutinising proposed substantial changes in health service delivery and scrutinising the work of the NHS more generally. The Education Scrutiny Committee scrutinises any issues around education. Since May 2013 the council has also operated an Executive Scrutiny Committee which considers in advance any key decisions to be taken by Cabinet and Cabinet Members, and all other reports (non-key decisions) to be considered by Cabinet.

Leadership and management

- 3.10. The council has, as required by statute, a head of paid service (the Chief Executive), a monitoring officer (the County Secretary and Solicitor), and a 'section 151 officer' (the County Treasurer). Each role operates in accordance with the relevant statute and professional guidance.
- 3.11. On 5 August 2013 the Chief Executive was suspended in order to facilitate a disciplinary investigation in respect of the Chief Executive's conduct in relation to the process for letting the contract for fleet services. Appropriate arrangements have been put in place to ensure that the council continues to be effectively managed in his absence.

Financial arrangements

- 3.12. The council's financial management arrangements conform with the governance requirements of CIPFA's 'Statement on the Role of the Chief Financial Officer in Local Government' (2010).

Whistle-blowing and counter fraud arrangements

- 3.13. The council has a whistle-blowing procedure in place, which has been publicised to staff. Reports on its use and outcomes are presented to the Audit and Governance Committee. The Internal Audit Service undertakes data analysis in areas likely to be susceptible to fraud, supports the biennial National Fraud Initiative data matching exercise, and provides support to managers in investigating allegations of fraud, theft or impropriety.

Audit arrangements

- 3.14. The council has an Audit and Governance Committee which operates in accordance with professional guidance and receives appropriate training. It provides independent oversight of the adequacy of the council's governance, risk management and internal control frameworks, and oversees the financial reporting process.

- 3.15. The council has a well regarded Internal Audit Service that operates in accordance with professional standards and is a key element of the corporate governance framework.

Risk management

- 3.16. The council manages its risks well, and management teams across the council identify, assess and manage risks effectively. There is good general awareness of risk and the need to demonstrate risk management.

Internal control

- 3.17. As set out in the Internal Audit annual report for 2012/13, real improvements continue to be made in some common areas of control across the council and the council's risks are adequately controlled; in overall terms there is generally a sound system of internal control. There are a number of other areas where controls are either inadequately designed for their current purpose or ineffectively operated in practice.
- 3.18. However, the management team recognises that although the Chief Internal Auditor has provided substantial assurance overall that there is generally a sound system of internal control, some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk. This is reflected in the range of assurances provided by the Internal Audit Service with 42% providing either limited or nil assurance.
- 3.19. The annual internal audit plan is specifically targeted at areas of risk, either identified through the internal audit risk based methodology or as a result of areas specifically raised by Directorate Management Teams. It is the express wish of the management team that the Internal Audit Service bring to management attention areas where controls place the achievement of objectives at risk to enable corrective action to be taken.
- 3.20. In 2013/14, the Chief Internal Auditor will provide quarterly reports to the management team on progress on strengthening the internal control framework where assurance is either limited or none.
- 3.21. Specifically, although work has begun to strengthen the council's information governance arrangements, little action has been taken corporately for some time to ensure that there is any general awareness amongst the council's staff of the need for information security, how to guard this effectively, how to recognise that security has been breached and what action to take if it has.

Compliance with legislation, regulations, policies and procedures

- 3.22. In an organisation of the size and complexity of Lancashire County Council, absolute assurance cannot be gained that compliance with all applicable laws and regulations is achieved, but processes are in place within individual service areas that ensure that compliance with applicable laws, regulations, policies and procedures is achieved.

Training and development

- 3.23. A cross-party member development working group plans and co-ordinates member development activities to meet individual and group needs. Officer training is overseen through a corporate performance and development review process.

4. Review of effectiveness

- 4.1. The council conducts an annual review of the effectiveness of its governance framework including the system of internal control. This review is informed by the work of the council's Management Team who have responsibility for the development and maintenance of the governance environment, by statements of assurance from each member of the Management Team, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectors.

5. Programme of improvement on significant governance issues

- 5.1. A number of points for improvement have been set out above. The council's leadership and Management Team are committed to ensuring that the council remains well governed throughout.
- 5.2. We will monitor the implementation of the matters set out above as part of our next annual review.

Signed:

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Leader of Lancashire County Council

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Acting Chief Executive of Lancashire
County Council

Date

Date