

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 13 JUNE 2013

**CORPORATE GOVERNANCE – ANNUAL REVIEW AND
DRAFT ANNUAL GOVERNANCE STATEMENT FOR YEAR TO 31 MARCH 2013**

REPORT BY CHIEF EXECUTIVE

ABSTRACT

This report advises of the outcome of the Chief Executive's annual review of compliance with the council's Local Code of Corporate Governance and presents the draft Annual Governance Statement for consideration.

1. RECOMMENDATION

The Committee:

- (i) consider the terms of the draft Annual Governance Statement (Appendix 1)
- (ii) note this will be signed by the Leader of the Council and the Chief Executive and will be included as part of the council's Annual Report and Accounts for submission to the Controller of Audit.

2. BACKGROUND

The council adopted a Local Code of Corporate Governance in 2001. The Code was updated in 2008 and has been reviewed on an annual basis. The Code is based on the CIPFA/SOLACE framework document, Delivering Good Governance in Local Government.

The Code outlines the council's commitment to the principles of good governance and how it seeks to achieve compliance with these principles.

The Chief Executive is responsible for providing assurances annually to elected members that the council's approach to corporate governance is both appropriate and effective in practice, and these assurances are provided in the form of the annual governance statement.

The assurances provided by the Chief Executive are informed by:

- The work of the Corporate Governance Officers Group who, on behalf of the Chief Executive, conduct an annual self-assessment of compliance with the local code.
- Assurances from directors in relation to their corporate governance and internal financial control arrangement
- Assurances from the Chief Financial Officer (S95 Officer) and Monitoring Officer
- The Chief Internal Auditor's annual report and opinion on governance, risk and internal control

3. CHIEF EXECUTIVE'S REVIEW OF COMPLIANCE 2012/13

The overall conclusion to the review is that during 2012/13 the council demonstrated that the governance arrangements and framework within which the council operates are sound and operating effectively.

Three areas originally identified for 2011/12 were carried forward but not completed in 2012/13. These areas will be carried forward to 2013/14:

- Provide corporate governance training
- Testing and validation of business continuity plans
- Delivery of information governance plans

Two other areas for improvement in governance arrangements have been identified as part of the review and will be addressed in 2013/14:

- Reviewing the risk management and programme and project management arrangements of the council in light of the internal audit reports issued during 2012/13.
- A review of the governance and delivery arrangements over the Transforming Angus Programme

The implementation of the new management structure will also necessitate a number of governance actions including:

- Review of standing orders, financial and schemes of delegation which will also be informed by the consideration of our committee structure
- Review of operational schemes of delegation within the new directorates and business units
- Re-casting and re-profiling of budgets and risk registers
- Once the management restructure is completed, a review of the Local Code and our internal governance arrangements to ensure they reflect the way the council does business

Remitting directors in completing their 2012/13 assurances had identified some governance actions to be taken forward but none were material enough to affect the overall assessment of substantial compliance with the Local Code of Corporate Governance.

4. ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement, which requires to be signed by the Leader of the Council and the Chief Executive is attached as Appendix 1.

The statement is currently draft as the final statement requires to reflect the governance arrangements of the 'group' which includes for the year to 31 March 2013, Tayside Police, Tayside Fire and Rescue along with Tayside Valuation Board and Tayside Contracts. These assurances had not yet been received at the time of writing this report and therefore the draft assurances are shown in the annual governance statement in italics.

The final annual governance statement will be included in the annual report and accounts for submission to the Controller of Audit.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications associated with the terms of this report.

8. HUMAN RIGHTS IMPLICATIONS

There are no human rights implications associated with this report.

9. CONSULTATION

The Strategic Directors of Communities, People and Resources, the Head of Finance and Head of Law and Administration have been consulted in the preparation of this report.

**RICHARD STIFF
CHIEF EXECUTIVE**

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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Draft Annual Governance Statement

Annual Governance Statement for Year to 31 March 2013

Introduction

Angus 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. The council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, members and senior officers are responsible for putting in place proper arrangements for the governance of Angus Council's affairs and facilitating the exercise of its functions. This includes setting the strategic direction, vision, culture and values of the council, effective operation of corporate systems, processes and internal controls, engaging with communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively and ensuring that appropriate arrangements are in place for the management of risk.

To this end, the council has approved and adopted a Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE framework Delivering Good Governance in Local Government and the supporting guidance notes for Scottish authorities. A copy of our Local Code of Corporate Governance is available on the Council's website at www.angus.gov.uk.

This annual governance statement explains how the council has complied with the terms of the local code for the year ended 31 March 2013. The statement also covers relevant governance issues as they affect those entities included as part of the Council's Group Accounts, reliance having been based on their respective governance statement/statement of internal financial control.

The Governance Framework

The Council's Local Code of Corporate Governance provides the framework against which compliance is measured. This Code sets out the key principles which require to be complied with to demonstrate effective governance. The key elements of the council's governance arrangements as set out in the local code include:

- The council's vision is incorporated within the Community Plan and Single Outcome Agreement and Corporate Plan, all of which have been widely published and are available on the Council's website.
- Local Community Plans are used as a means of identifying and responding to local issues.
- The council seeks community views on a wide range of issues and undertakes regular consultation with citizens and service users.
- The council reports publicly on its performance and has a corporate public performance reporting framework which guides our performance reporting arrangements.
- The council responds to findings and recommendations of Audit Scotland, other statutory inspectorates and its own internal audit section.
- The council is committed to the efficient government programme and on an annual basis identifies efficiency savings achieved by implementing this initiative.
- The roles and responsibilities of elected members and officers are defined in our standing orders and scheme of delegation and in our financial regulations.
- The council's chief executive is responsible and accountable for all aspects of executive management.
- The council's standing orders, scheme of delegation and financial regulations are subject

to regular review and revised where appropriate.

- The roles of senior officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with our personal appraisal and development scheme.
- The Head of Finance is responsible for ensuring appropriate advice is given to the council on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control under the terms of the financial regulations.
- The Head of Law and Administration is responsible for ensuring that agreed procedures are followed and that all applicable statutes, regulations and statements of good practice are complied with.
- The scheme of councillors' salaries and expenses sets out the terms of councillors' remuneration. Details of all councillors' expenses are published on an annual basis.
- The council's performance management arrangements enable progress against the council's priorities to be monitored.
- The council fosters relationships and partnerships with other public, private and voluntary organisations in delivering services that meet the needs of the local community.
- The council has a Single Outcome Agreement in place agreed with the Scottish Government and our community planning partners. Performance on this is reported through the Angus Community Planning Partnership and through the council's performance reporting mechanisms.
- The Scrutiny and Audit Committee is integral to our performance management and monitoring arrangements.
- The council has a risk management strategy. The main priorities within this strategy are the identification, evaluation and control of risks which threaten the council's ability to deliver objectives. Departments have business continuity arrangements which set out the framework within which the council aims to continue to deliver critical services in the event of an emergency.
- Elected members have personal development plans which are periodically supplemented by additional training for members. Members on Scrutiny and Audit, the Licensing Committee and Development Control have also received specific training related to the responsibilities on these committees.
- Codes of conduct are in place for, and define the standards of behaviour expected from, elected members and officers.
- A range of systems and procedures are in place to ensure that elected members and employees are not influenced by prejudice or conflicts of interest in discharging their duties. A register of members' interests is maintained and is available for inspection by members of the public.
- A whistleblowing policy provides for the direct reporting of problems to senior managers without fear of recrimination.
- The Local Code of Corporate Governance is also applicable in general terms to elected members and officers on external bodies.
- The Council operates an internal audit service which, during the year under review, was situated in the Finance division of the Corporate Services department. The service operated in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit 2006. The service undertakes an annual programme of work approved by the Scrutiny & Audit Committee based on a formal risk assessment process which is updated on an ongoing basis to reflect evolving risks and changes within the council.

- The Chief Internal Auditor (CIA) reported on an administrative line management basis to the Head of Finance who is a member of the Chief Officers' Management Team; has open access to elected members and the Chief Executive and reports on a functional basis to the Scrutiny & Audit Committee. The CIA reports in her own name and retains final edit rights over all audit reports and provides to members an annual report on governance, risk and Internal control which specifically includes internal financial controls in support of the Head of Finance's statutory responsibilities for the proper administration of the council's financial affairs.

The council's governance framework has been in place for the year ended 31 March 2013 and up to the date of approval of the Council's Accounting Statements.

The Council's financial management arrangements do not fully comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) because the Head of Finance as Chief Financial Officer for the Council does not report directly to the Chief Executive. The Council's arrangements do however achieve the same impact and with the exception of management reporting lines comply in all material respects with the CIPFA Statement on the Role of the Chief Financial Officer. The Head of Finance is a member of the Chief Officers' Management Team, is the Council's most senior adviser on all financial matters, is fully involved in the development of all strategic and financial policy matters and has direct access to the Chief Executive and all elected members. The Head of Finance is able to fulfil all the requirements of the Chief Financial Officer's role through the arrangements which exist.

System of Internal Financial Control & Review of Effectiveness

Within the council's overall governance framework specific arrangements are in place as part of the system of internal financial control. This system is intended to ensure that reasonable assurance can be given that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a timely period.

The council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council.

In particular, the system includes:

- Financial regulations and codes of financial practice
- Comprehensive budgeting systems
- Periodic reports to compare actual to budgeted expenditure and performance against forecasts
- Securing and monitoring financial targets
- Clearly defined capital expenditure guidelines; and
- Adequate internal audit operating to defined standards

In relation to the Systems of Financial Control of the council's associated companies reliance is placed on the Governance Statement or Statement of Internal Financial Controls prepared by the officers responsible for the proper administration of the financial affairs of those associated companies.

Based on the work of managers, assurance statements received from heads of department, the work of both internal and external audit and the Governance Statement/Statement of Internal Financial Control provided by the proper officers of the council's associated companies the Head of Finance has concluded that Angus Council has in place an adequate and effective system of internal financial controls for the Council itself, the Common Good Fund and associated companies. The review for 2012/13 also confirms that the Head of Finance is satisfied that

mechanisms are in place which would identify, and address, any material areas of weaknesses on a timeous basis.

Review of Framework

The council conducts an annual review of the effectiveness of its overall governance framework.

This review is informed by the work of an officer working group on corporate governance. This group has responsibility for monitoring compliance with the local code and making recommendations for additions and/or improvements to the code to reflect any changes in the way the council does business and any new legislation affecting the council's governance arrangements.

The group undertakes an annual self-assessment against the Local Code of Corporate Governance. That self-assessment is in turn informed by assurances from heads of department who have responsibility for the development and maintenance of the governance environment within their department and who in turn identify actions to improve governance at a departmental level, the Chief Internal Auditor's annual review of corporate governance and by comments made by external auditors and other scrutiny bodies and inspectorates.

The conclusion from the review activity outlined above is that in 2012/13 the council continued to demonstrate that the governance arrangements and framework within which the council operates are sound and operating effectively

In particular the review noted that in 2012/13 the council improved its governance arrangements by:

- Establishing the Scrutiny and Audit Committee as a standing committee of Council with an expanded remit to include the commissioning of their own scrutiny reviews
- Providing members' training and members' briefings in a variety of subjects
- Developing the council's management structures for implementation in 2013/14
- Agreeing new budget setting proposals with a view to better aligning the council's resources to its priorities for 2014/15 and onward
- Provided guidance to elected members on appointments to outside bodies

Three areas originally identified for 2011/12 were carried forward but not completed in 2012/13. These areas will be carried forward to 2013/14:

- Provide corporate governance training
- Testing and validation of business continuity plans
- Delivery of the information governance action plan

The annual review also identified the following areas of governance improvement for 2013/14:

- Reviewing the risk management and programme/project management arrangements of the Council in terms of the internal audit reports issued during 2012/13
- Reviewing the governance and delivery arrangements of the Transforming Angus Programme

In addition to the above the implementation of our new management structure brings with it certain governance actions which it is intended to address in 2013/14.

These include:

- Reviews of standing orders, schemes of delegation and financial regulations which will also be informed by the intended considerations of our committee structure
- Reviews of operational schemes of delegation within new directorates and business units

- Re-casting and re-profiling of budgets, financial ledgers and risk registers
- Once the restructure is complete, reviews of our overall internal governance arrangements and our Local Code of Corporate Governance

Individual heads of department have identified improvements to governance arrangements within their own department but these are not considered material enough to affect the overall assessment of substantial compliance against the Local Code of Corporate Governance.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Angus Council's systems of governance and that the annual review demonstrates compliance with the council's Code of Corporate Governance.

Richard Stiff
Chief Executive

Councillor Iain Gaul
Leader of the Council