

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	18 June 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Annual Governance Statement for 2019-2020 and Significant Governance Areas Quarter 4 Progress Report
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the proposed Annual Governance Statement for 2019-2020, for inclusion in the Council's 2019-2020 Annual Accounts.

2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendations:-

- (1) that the Annual Governance Statement attached at Appendix 2, due to be included in the council's 2019-2020 Annual Report and Statement of Accounts, is approved;
- (2) that the CIPFA Better Governance Forum Audit Committee update on 'Developing an Effective Annual Governance Statement' attached as Appendix 3 is noted; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2018-19 attached at Appendix 4 is noted.

3. Background

- 3.1. Each year, the Council undertakes a comprehensive review of the governance arrangements that are required to support the Council's financial and operational controls. The annual review of governance arrangements informs the Governance Statement which is included within the Council's Annual Accounts.
- 3.2. Good Governance is underpinned by the principles contained in the Delivering Good Governance in Local Government and the guidance for Scottish Local Authorities which were published in December 2016. The framework was established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The Council's governance assurance framework is detailed at Appendix 1.
- 3.3. To achieve good governance, the Council should be able to demonstrate that its governance structures comply with the principles contained in the CIPFA/SOLACE framework (referred to as 'the framework' from here on) and should, therefore, develop and maintain a Local Code of Governance and governance arrangements reflecting these principles. The Council's Local Code of Corporate Governance is reviewed and re-published annually. Compliance with the Code is reviewed as part of the Annual Review of Governance arrangements and informs the Annual Governance Statement.

- 3.4. The Good Governance Group undertakes an annual review of the Council's governance arrangements through a programme of peer reviews and evaluations to share learning, best practice and ensure consistency in approach (where relevant) across Resources. At the end of the review period, an evaluation of the governance process is completed and arrangements revised, where relevant, in preparation for the next review.
- 3.5. Based on good practice highlighted by CIPFA in relation to the publication of Annual Governance Statements, a [Good Governance](#) page which provides links to relevant reports and documents is available on the Council's website.

4. Annual Governance Statement 2019-2020

- 4.1. The Annual Governance Statement for 2019-2020 is attached at Appendix 2. Information on the COVID-19 pandemic governance arrangements has been added to Section 5 of the statement. This details the impact on the Council's governance arrangements and gives examples of the new ways of working which have been required to continue to provide service delivery and respond to the pandemic.
- 4.2. The CIPFA Better Governance Forum Audit Committee update on 'Developing an Effective Governance Statement' is attached as Appendix 3. This guidance, which was first developed in March 2018, is aimed at providing advice and support to Audit Committees in relation to their role in considering how effective the governance arrangements have been in the year and reviewing the Annual Governance Statement prior to approval and publication. The document includes a briefing on what an effective Annual Governance Statement looks like and the role the Audit Committee can play in supporting the annual review and production of the statement. The Committee is asked to note the contents of this document.
- 4.3. The following internal assurance opinions, which are also set out in Section 6 of the Governance Statement, were formed in the period before revised service delivery arrangements took effect as a result of the COVID-19 pandemic:-
- It is the opinion of the Council's Audit and Compliance Manager that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2020.
 - It is the opinion of the Council's Risk Management Service that a good level of assurance can be placed on the council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.
- 4.4. Section 7 of the AGS highlights "Significant Governance Areas" which were identified through the Horizon Scanning process and the Director's Statements of Assurance and the key actions that are being taken to address these during 2020-21. The Committee is asked to consider the areas detailed in the summary below. Comments have been added to show where this is new or has been carried forward from the previous statement:-

Significant Governance Areas identified in 2019-20	Comments
COVID-19 pandemic The council will continue to respond to matters arising from the COVID-19 pandemic	New area
Brexit Impact of the UK leaving the European Union on the council	Carried forward from 2019-20
IT infrastructure Migration of computer systems to an external provider	New area
Cyber resilience Compliance with legislative and regulatory policy	New area
Participatory Budgeting 1% of the council's budget will be subject to Participatory Budgeting	Carried forward from 2019-20
Financial Challenges Reduction in council funding, resulting in difficulties maintaining front line services	Carried forward from 2019-20
GDPR Compliance with the new General Data Protection Regulations (GDPR)	Carried forward from 2019-20
Integrated Joint Board – Health and Social Care The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2019-22	Carried forward from 2019-20
Integrated Joint Board – Health and Social Care The need for the council to deliver improvements within Care at Home to meet regulatory requirements	New area
National expansion in early years education and childcare provision The council is likely to face challenges in acquiring the necessary physical assets and staffing levels to meet the commitments by 2020	Carried forward from 2019-20
Welfare Reform Impact of Welfare Reform on council services	Carried forward from 2019-20
Review of Community Planning Provide support to the review of Community Planning arrangements	New area

- 4.5. The Committee is asked to note that the content of the Annual Governance Statement is subject to scrutiny by the External Auditor and, therefore, may change after approval. Also, as a result of the impact of the COVID-19 pandemic on the Council's governance arrangements further amendments may be required to record any other significant issues that are identified before the sign off of the Annual Accounts. However, the final Governance Statement will be re-submitted for approval with the final Annual Accounts.

5. Significant Governance Areas

- 5.1. Progress on the significant governance areas highlighted within the Annual Governance Statement 2018-2019 is attached at Appendix 4.

6. Next Steps

- 6.1. The Governance Team will review and update the Council's Local Code of Corporate Governance with the changes highlighted from the annual review of governance arrangements and report this to the Risk and Audit Scrutiny Committee.

6.2. The Good Governance Group will evaluate the governance review process and refine this in preparation for the 2020-2021 annual review of governance arrangements.

7. Employee Implications

7.1. Officers will continue to attend the Good Governance Group and will commit time to review and monitor governance and assurance arrangements.

7.2. Officers will be assigned to lead on areas identified as improvement areas.

8. Financial Implications

8.1. There are no financial implications directly associated with this report.

9. Climate Change, Sustainability and Environmental Implications

9.1. There are no significant implications for climate change or sustainability in terms of the information contained in this report.

10. Other Implications

10.1. The AGS will be subject to review by Audit Scotland as part of their consideration of the Council's Annual Report.

10.2. There are no significant issues in terms of risk associated with this report.

11. Equality Impact Assessment and Consultation Arrangements

11.1. All Resources, through senior officers, are involved in the progress, monitoring and review of governance arrangements and the preparation of the Annual Governance Statement.

11.2. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

Paul Manning

Executive Director (Finance and Corporate Resources)

1 June 2020

Link(s) to Council Objectives/Values

♦ All Council Objectives and Values

Previous References

♦ Good Governance 2019-20 Quarter 2 Progress report – 19 February 2020

List of Background Papers

♦ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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