

# Report

Report to:	<b>Lanarkshire Valuation Joint Board</b>
Date of Meeting:	<b>4 June 2018</b>
Report by:	<b>Treasurer to Lanarkshire Valuation Joint Board</b>

Subject:	<b>Annual Governance Statement</b>
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## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ Provide information on the Annual Governance Statement for inclusion in the 2017/2018 Lanarkshire Valuation Joint Board Annual Accounts.

## **2. Recommendation(s)**

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Annual Governance Statement, attached at Appendix 1, be approved for inclusion in the Lanarkshire Valuation Joint Board 2017/2018 Annual Accounts.

## **3. Background**

3.1. Each year, the Lanarkshire Valuation Joint Board undertakes a comprehensive review of the governance arrangements that are required to support Lanarkshire Valuation Joint Board's financial and operational controls. The annual review of governance arrangements provides the Governance Statement, which is included in Lanarkshire Valuation Joint Board's Annual Accounts.

3.2. The annual review for 2017/2018 is informed by the Delivering Good Governance in Local Government Framework.

## **4. Annual Governance Statement for 2017/2018**

4.1. The Annual Governance Statement for 2017/2018 is attached at Appendix 1.

4.2. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. These arrangements follow the systems of financial management in place within the lead authority, South Lanarkshire Council.

4.3. The Lanarkshire Valuation Joint Board shares financial management systems with South Lanarkshire Council (the lead authority) and is subject to the relevant controls in place as directed by the Internal/External Audit guidance. The overall audit opinion for the year can be informed by the assurances obtained from any system audits carried out by the Council's Internal Audit section on these shared systems.

- 4.4. The sharing of systems means that the assurances obtained in the Internal Audit Manager's report on the Council's financial systems for 2017/2018 can be applied to those of Lanarkshire Valuation Joint Board.
- 4.5. In addition, Internal Audit carry out a programme of audits each year which, together with the output from South Lanarkshire Council shared systems audits, inform an overall audit opinion on the adequacy and effectiveness of the Board's governance, risk management and internal control arrangements.
- 4.6. For 2017/2018, the Treasurer's opinion is that the systems for internal control were effective and will continue to be reviewed and improved as appropriate in 2018/2019.

## **5. Employee Implications**

- 5.1. None

## **6. Financial Implications**

- 6.1. There are no financial implications directly associated with this report.

## **7. Other Implications**

- 7.1. The statement will be subject to review by Audit Scotland as part of their consideration of Lanarkshire Valuation Joint Board's Annual Accounts.
- 7.2. There are no implications for sustainability in terms of the information contained in this report

## **8. Equality Impact Assessment and Consultation Arrangements**

- 8.1. 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.
- 8.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

**Paul Manning**  
Treasurer

26 April 2018

## **Previous References**

- ◆ None

## **List of Background Papers**

- ◆ Lanarkshire Valuation Joint Boards Annual Accounts Annual Governance Statement 2017/18

## **Contact for Further Information**

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

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## **Annual Governance Statement**

This statement sets out the framework within which the Board has proper arrangements for the governance of the Board's affairs, thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and appropriate systems of internal control are in place. While the Board's governance arrangements have not been consolidated in a formal Code of Corporate Governance, the Annual Governance Statement has been prepared within the context of the Board's governance framework, and meets legislative requirements to include the Annual Governance Statement with the Annual Accounts. A consolidated Code of Corporate Governance will be developed and presented to the Board for approval during 2018/19.

### **Scope of Responsibility**

In delivering its aims and objectives, the Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Board also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this responsibility, the Board's elected members and senior officers are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **Governance Framework**

The Board operates a system of internal control designed to manage risk to a reasonable level. Internal controls 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 ongoing process designed to identify and prioritise the risks to the achievement of the Board'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.

The main features of our governance arrangements are:

- Clearly defined Standing Orders, Scheme of Delegation and Financial Regulations and Tender Procedures;
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives;
- Arrangements to manage risk, including a risk management strategy and Corporate Risk Register and business continuity plans;
- Clear customer complaints procedures;
- Policies to regulate employee related matters, including the Employee Code of Conduct and Disciplinary Procedures; and
- Regular public performance monitoring

As part of the overall control arrangements, the system of internal control is designed to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected. This system is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability.

Development and maintenance of the system is undertaken by managers within the Board. In particular, the system includes:

- Financial management supported by Financial Regulations;
- Detailed budgeting systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure performance, including financial performance;
- The preparation of regular financial reports that compare actual expenditure and income against forecasts.

South Lanarkshire Council is the administering authority. All financial transactions of the Board are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of the Council. This includes regular reviews by the Council's Internal Audit Manager.

### **Review of Effectiveness**

The Board purchases an internal audit service from South Lanarkshire Council, through a Service Level Agreement. The role of Internal Audit is to provide an independent audit opinion on the adequacy and effectiveness of the Board's governance, risk management and internal control systems based on audit work undertaken in the year.

The internal audit service provided to the Board operates in accordance with the Public Sector Internal Audit Standards (revised 2017). A rolling programme of audits are undertaken on an annual basis targeted at the areas of greatest risk.

The Internal Audit Manager provides an annual report to the Board and an audit opinion on the adequacy and effectiveness of the Board's governance, risk management and internal control systems based on audit work undertaken in the year. The annual report for 2017/2018 was presented to the Board on 4 June 2018. The Internal Audit Manager's annual assurance statement concluded that a reasonable level of assurance can be placed on the adequacy and effectiveness of the Board's framework of governance, risk management and control arrangements for the year ended 31 March 2018.

### **Statement on the Role of the Chief Financial Officer**

CIPFA published the statement on the role of the Chief Financial Officer in 2010 and under the Code, the Board is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact.

The Board's financial management arrangements comply with the principles set out in CIPFA's statement on the Role of the Chief Financial Officer.

### **Continuous Improvement**

As part of the annual audit review, recommendations are provided which not only assist management to improve their control environment, but also provide an assessment of the adequacy of existing systems and procedures, including highlighting any necessary improvements to maintain and improve the Board's governance arrangements going forward. The external auditor's [Annual Audit Report 2017](#) did not identify any Governance actions for implementation during 2017/18. During 2018/19, a consolidated Code of Corporate Governance will be prepared for presentation to the Board.

## **Assurance**

In conclusion, there were no significant weaknesses identified in the Annual Audit Report relating to improvements requiring action in 2017/2018. Systems are in place to continually review and improve the control environment and governance arrangements operated by the Board.

The effectiveness of governance is dependent on the actions of officers of the Board and by the work of Internal and External audit. It is the Board's view that the governance arrangements were effective during the financial year 2017/2018.