
ANNUAL GOVERNANCE STATEMENT 2017/18 AND LOCAL CODE OF CORPORATE GOVERNANCE

Report by Chief Executive

AUDIT AND SCRUTINY COMMITTEE

14 May 2018

1 PURPOSE AND SUMMARY

- 1.1 This report proposes that the Audit and Scrutiny Committee considers and approves the Annual Governance Statement that will be published in the Council's Statement of Accounts 2017/18 and considers the revisions to the Council's Local Code of Corporate Governance and recommends it for approval by full Council.**
- 1.2 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 1.3 Part of the Audit and Scrutiny Committee's remit (Audit function) is to assess the effectiveness of internal controls, risk management, and governance arrangements.
- 1.4 The Annual Governance Statement 2017/18 at Appendix 1 details the Governance Framework, including the key elements of the Council's governance arrangements, the Review of Framework outlining the annual review process and overall opinion, and further Improvement Areas.
- 1.5 In terms of overall corporate governance it is the Chief Executive's opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered sound.
- 1.6 The annual review concluded that revisions are required to the Local Code of Corporate Governance at Appendix 2.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Considers the details of the Annual Governance Statement 2017/18 at Appendix 1, and approves the actions identified by Management to improve internal controls and governance arrangements; and**
 - b) Consider the revisions to the Local Code of Corporate Governance of Scottish Borders Council that is attached to this report as Appendix 2, and recommend it for approval by full Council.**

3 BACKGROUND

- 3.1 Scottish Borders 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.
- 3.2 A revised CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (Spring 2016), and associated guidance for Scottish Authorities (November 2016), defines the seven core principles of good governance. The Council approved a revised Local Code of Corporate Governance (Local Code) on 24 August 2017 to reflect the strategic developments and changes to governance, consistent with the principles and requirements of the revised Framework.
- 3.3 The Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement and report compliance on an annual basis.
- 3.4 Part of the Audit and Scrutiny Committee's remit (Audit function) is to assess the effectiveness of internal controls, risk management, and governance arrangements in place and this includes to 'Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'¹.

4 ANNUAL GOVERNANCE STATEMENT

- 4.1 In February and March 2018 the officer Governance Self-Assessment Working Group (the 'Group') undertook the annual self-assessment of the effectiveness of internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2018. The Chief Officer Audit & Risk led on this process as part of HIA² role to be champion for sound governance.
- 4.2 The Group has considered examples of evidence such as systems, processes and documentation to demonstrate local compliance with the Framework's seven core principles of good governance, supporting principles and a range of specific requirements. The Group has evaluated progress with implementation of actions regarding previously identified improvement areas of governance.
- 4.3 The Annual Governance Statement 2017/18 at Appendix 1 sets out the Governance Framework including the key elements of the Council's governance arrangements as set out in the Local Code, the annual Review of Framework undertaken, overall opinion, and Improvement Areas of Governance required to ensure full compliance with the Local Code.
- 4.4 In terms of overall corporate governance it is the Chief Executive's opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council are considered sound. The Annual Governance Statement 2017/18 is informed by the self-assessment of compliance against the Local Code by the officer Governance Self-Assessment Working Group, the work of Internal Audit, External Audit and Inspection agencies, and by Executives / Service Directors' assurance statements. The Council's Annual Governance Statement 2017/18 will be published in the Scottish Borders Council Annual Report and Statement of Accounts 2017/18.

¹ CIPFA guidance note for local authorities 'Audit Committees' (2013)

² CIPFA 'the role of the head of internal audit in public service organisations' (2010)
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5 LOCAL CODE OF CORPORATE GOVERNANCE

- 5.1 Fundamentally Corporate Governance is about openness, integrity and accountability. It comprises the systems and processes, and cultures and values by which the authority is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
- 5.2 Scottish Borders Council aims to meet the highest standards of corporate governance. The Council operates through a governance framework for the conduct of its affairs which brings together an underlying set of legislative requirements, governance principles and management processes.
- 5.3 The Local Code of Corporate Governance for the Council, which is consistent with the principles and requirements of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016), was previously approved by full Council on 24 August 2017 and helps to ensure proper arrangements continue to be in place to meet these responsibilities.
- 5.4 The officer Governance Self-Assessment Working Group during the 2017/18 Review of Framework concluded that revisions are required to the Local Code of Corporate Governance to ensure it reflects the changing context of Scottish Borders Council and continues to be a value-added tool for members and officers of the Council in the conduct of the Council's affairs. This is at Appendix 2.
- 5.5 The main changes to the Local Code cover:
- Reflecting the post-local elections new arrangements e.g. Administration and its priorities, committee structures and functions;
 - Updating partnership and council strategic plans e.g. Scottish Borders Community Plan, and Council Corporate Plan 2018-2023;
 - Further developments in community and citizen consultation and engagement activities; and
 - Enhancements to developing the capacity and capability.

6 IMPLICATIONS

6.1 Financial

There are no direct financial implications arising from this report.

6.2 Risk and Mitigations

The Annual Governance Statement 2017/18 details areas where additional work would further enhance the internal control environment, or improve risk management, and corporate governance arrangements. The review of and revisions to the Local Code of Corporate Governance will ensure that internal controls, risk management and other governance arrangements are improved through the implementation of the framework.

6.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious/belief arising from the work contained in this report.

6.4 Acting Sustainably

Core principle of good governance "C. Defining outcomes in terms of sustainable economic, social, and environmental benefits" is included within the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The officer Governance Self-Assessment Working Group considered examples of evidence such as systems, processes and documentation to demonstrate local compliance with all the Framework's seven core principles of good governance, supporting principles and a range of specific requirements.

6.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

6.6 Rural Proofing

This report does not relate to a new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

7 CONSULTATION

7.1 The Corporate Management Team has been engaged in the governance annual assurance process 2017/18 and has been consulted on the report and appendices and any comments received have been incorporated.

7.2 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Human Resources, the Clerk to the Council and the Corporate Risk Officer have been consulted on the report and appendices and any comments received have been incorporated.

Approved by

Chief Executive, Tracey Logan

Signature

Author(s)

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Background Papers: CIPFA/SOLACE framework 'Delivering Good Governance in Local Government'; Scottish Borders Council Local Code of Corporate Governance

Previous Minute Reference: Audit and Risk Committee 28 March 2017

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