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## **DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23**

**Report by Chief Executive**

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### **AUDIT COMMITTEE**

**27 June 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report proposes that the Audit Committee considers and approves the draft Annual Governance Statement 2022/23 for inclusion in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process.**
- 1.2 The CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) 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.
- 1.3 Part of the Audit Committee's remit is to assess the adequacy and effectiveness of corporate governance arrangements and consider annual assurance reports relating to the Council's service delivery models including partnership and collaboration to ensure the highest standards of probity, public accountability and ethical standards are demonstrated to underpin the delivery of value for money or best value services.
- 1.4 The draft Annual Governance Statement 2022/23 at Appendix 1, in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the annual Review of Framework undertaken, Improvement Areas of Governance, and Overall Opinion.

#### **2 RECOMMENDATIONS**

**2.1 I recommend that the Audit Committee:**

- a) Considers the details of the draft Annual Governance Statement 2022/23 (Appendix 1) to ensure it reflects the risk environment and governance in place to achieve objectives, and acknowledges the actions identified by Management to improve internal controls and governance arrangements; and**
- b) Approves that the draft Annual Governance Statement 2022/23 (Appendix 1) be published in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process.**

### **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 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.
- 3.3 The Council approved an updated Local Code of Corporate Governance on 30 March 2023, on recommendation by this Committee, noting that the updated Local Code will be used for the 2022/23 annual assurance process.
- 3.4 The SBC Local Code of Corporate Governance is consistent with the principles and requirements of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) which helps to ensure proper arrangements continue to be in place to meet these responsibilities.
- 3.5 The CIPFA/SOLACE 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.
- 3.6 Part of the Audit Committee's remit is to assess the adequacy and effectiveness of corporate governance arrangements and consider annual assurance reports relating to the Council's service delivery models including partnership and collaboration to ensure the highest standards of probity, public accountability and ethical standards are demonstrated to underpin the delivery of value for money or best value services. 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'<sup>1</sup>.

### **4 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23**

- 4.1 The Chief Officer Audit & Risk has utilised the updated Local Code to populate the key elements within The Governance Framework section.
- 4.2 The officer Governance Self-Assessment Working Group (the 'Group') has undertaken the annual review of the adequacy and effectiveness of the Council's internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2023. The Chief Officer Audit & Risk led on this process as part of HIA<sup>2</sup> role to be champion for sound governance.
- 4.3 The Group has evaluated progress with the implementation of actions associated with the 10 improvement areas of governance within the previous year's annual governance statement, which included the 7 recommended improvements made in the Best Value audit report (2019). The Group identified where further improvement in governance arrangements can be made.

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2018)

<sup>2</sup> CIPFA 'the role of the head of internal audit in public service organisations' (2019)  
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- 4.4 The Annual Governance Statement 2022/23 (Appendix 1), in compliance with the CIPFA/SOLACE Framework, provides details of the Council's Governance Framework, the Annual Review of Adequacy and Effectiveness of the Council's Governance Framework undertaken, Improvement Areas of Governance, and Overall Conclusion and Opinion on Assurance.
- 4.5 The Annual Governance Statement 2022/23 is informed by the:
- The self-assessment of compliance against the Local Code by the officer Governance Self-Assessment Working Group;
  - Directors' assurance statements, supported by their completion of comprehensive evidence within a checklist to assess compliance with the seven core principles of good governance and the financial regulations;
  - Internal Audit annual opinion stated within the Annual Assurance Report 2022/23 and recommendations made during the year; and
  - Comments and recommendations made by External Auditors and other external scrutiny bodies and inspection agencies.
- 4.6 The annual assurance process not only creates an opportunity for the Council to set out its standards for good governance but also to ensure that its governance arrangements are seen to be sound. This is important as the governance arrangements in public services are closely scrutinised. This is one example of how the Council demonstrates the core principle of good governance "G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability" included within the CIPFA/SOLACE Framework.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no direct financial implications associated with this report.

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016), on which Scottish Borders Council's Local Code of Corporate Governance is framed, is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making; and
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Core principle of good governance "E. Developing the entity's capacity, including the capability of its leadership and the individuals within it" is included within the CIPFA/SOLACE Framework. Workforce and elected member development are a key part of the good governance framework within the Council's Local Code of Corporate Governance.

This will enable the Council to fulfil its obligations to provide best value service delivery to its citizens.

### **5.2 Risk and Mitigations**

The Annual Governance Statement 2022/23 details areas where additional work would further enhance the internal control environment, or improve risk management, and corporate governance arrangements. This helps to ensure proper arrangements continue to be in place to meet the responsibilities set out in the CIPFA/SOLACE Framework.

Core principle of good governance "F. Managing risks and performance through robust internal control and strong public financial management" is included within the CIPFA/SOLACE Framework. Scottish Borders Council's evidence of systems, processes and documentation to demonstrate local compliance with this core principle of good governance is set out in its updated Local Code of Corporate Governance.

### 5.3 **Integrated Impact Assessment**

This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014. This report does not relate to new or amended policy or strategy and as a result an integrated impact assessment is not an applicable consideration.

The application of practices to ensure obligations under the Equalities Act and compliance with the Fairer Scotland Duty is set out in Scottish Borders Council's Local Code of Corporate Governance to demonstrate compliance of core principle of good governance "A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law" which is included within the CIPFA/SOLACE Framework.

### 5.4 **Sustainable Development Goals**

The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

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 to demonstrate local compliance with all the Framework's seven core principles of good governance, supporting principles and a range of specific requirements.

### 5.5 **Climate Change**

This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

Core principle of good governance "D. Determining the interventions necessary to optimise the achievement of the intended outcomes" is included within the CIPFA/SOLACE Framework. Prevention arrangements are a key part of the good governance framework including the Council's governance arrangements in place and action plan to progress towards achieving its objectives and fulfil its climate change obligations.

### 5.6 **Rural Proofing**

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

Core principle of good governance "B. Ensuring openness and comprehensive stakeholder engagement" is included within the CIPFA/SOLACE Framework. Scottish Borders Council's evidence of systems, processes and documentation on how to work effectively with communities, involve local people at the outset, and consult appropriately to demonstrate local compliance with this core principle of good governance is set out in its Local Code of Corporate Governance.

## 5.7 Data Protection Impact Statement

There are no personal data implications arising from content of this report.

## 5.8 Changes to Scheme of Administration or Scheme of Delegation

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

## 6 CONSULTATION

6.1 The Directors of the Council Management Team (CMT), as part of their engagement in the annual assurance process 2022/23, have provided annual assurance statements to the Chief Executive, supported by their completion of comprehensive evidence within a checklist to assess compliance with the seven core principles of good governance and the financial regulations. CMT has been consulted on this report to ensure their knowledge of its content.

6.2 The Acting Chief Financial Officer, Interim Chief Officer Corporate Governance (and Monitoring Officer), Director People, Performance & Change, Clerk to the Council, and Communications team have been consulted on the report and any comments received have been incorporated.

### Approved by

Chief Executive

Signature .....

### Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036

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

**Previous Minute Reference:** Audit Committee 27 June 2022

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