

**AUDIT AND RISK COMMITTEE**

**9 May 2016**

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**1 PURPOSE AND SUMMARY**

- 1.1 This report proposes that the Audit and Risk Committee considers and approves the Annual Governance Statement that will be published in the Statement of Accounts 2015/16 of Scottish Borders 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 Risk Committee's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place. 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>.
- 1.4 The Annual Governance Statement 2015/16 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. The Annual Governance Statement is informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives and Service Directors assurance statements. This statement will be published in the Statement of Accounts 2015/16.

**2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit and Risk Committee considers the details of the Annual Governance Statement at Appendix 1, and approves the actions identified by Management to improve internal controls and governance arrangements.**

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<sup>1</sup> CIPFA guidance note for local authorities 'Audit Committees' (2013)  
*Audit and Risk Committee 9 May 2016*

### **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. The Council approved a revised local code of corporate governance (Local Code) on 23 February 2012, consistent with the principles and requirements of the new CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' (Framework) to ensure proper arrangements are in place to continue to meet that responsibility.
- 3.2 The Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare a governance statement on an annual basis in order to report publicly on the extent to which they comply with their own code, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 3.3 Part of the Audit and Risk Committee's remit 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'<sup>2</sup>.

### **4 ANNUAL GOVERNANCE STATEMENT**

- 4.1 In February and March 2016 the officer self-evaluation working group on corporate governance has undertaken an annual self-assessment of the effectiveness of internal control and governance arrangements and compliance against the Local Code for the year ended 31 March 2016. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place. In addition the self-assessment group has concluded that revisions are required to the Local Code to ensure it reflects the changing context of Scottish Borders Council. This is subject to a separate report for approval by the Council. The Chief Officer Audit & Risk has led on this process as part of HIA<sup>3</sup> role to be champion for sound governance.
- 4.2 The Annual Governance Statement 2015/16 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 which has been updated to reflect the strategic developments and changes to governance within the year including SB Cares and Health and Social Care integration programme. It also sets out the Review of Framework, outlining the annual review process and overall opinion, and Improvement Areas of Governance stating areas where further improvement in governance arrangements can be made to ensure full compliance with the Local Code.
- 4.3 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 is informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives and Service Directors assurance statements. This statement will be published in the Scottish Borders Council Statement of Accounts 2015/16.

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<sup>2</sup> CIPFA guidance note for local authorities 'Audit Committees' (2013)

<sup>3</sup> CIPFA 'the role of the head of internal audit in public service organisations' (2010)

## 5 IMPLICATIONS

### 5.1 Financial

There are no direct financial implications arising from this report.

### 5.2 Risk and Mitigations

The Annual Governance Statement details areas where additional work would further enhance the internal control environment, risk management, and corporate governance arrangements. Implementing this work will ensure that internal controls, risk management, and other governance arrangements remain adequate.

### 5.3 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.

### 5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report.

### 5.5 Carbon Management

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

### 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.

### 5.7 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.

## 6 CONSULTATION

6.1 The annual self-assessment completed in February and March 2016 by the officer self-evaluation working group on the effectiveness of internal control and governance and compliance against the Local Code of Corporate Governance, and associated assurance statements received from Depute Chief Executives and Service Directors within the Council have been taken into account when compiling the Annual Governance Statement.

6.2 The Corporate Management Team has been consulted and any comments received have been incorporated into the report.

6.3 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Human Resources, and the Clerk to the Council have been consulted and any comments received have been incorporated into the report.

### Approved by

**Chief Executive, Tracey Logan**

**Signature .....**

### Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & 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:** Scottish Borders Council 23 February 2012; Audit and Risk Committee 11 May 2015

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. James Collin can also give information on other language translations as well as providing additional copies.

Contact us at James Collin [jcollin@scotborders.gov.uk](mailto:jcollin@scotborders.gov.uk) or tel. 01835 825232

## Annual Governance Statement 2015/16

### Introduction

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. 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, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Scottish Borders 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 Local 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 the Local Code of Corporate Governance is available on the Council's website at [www.scotborders.gov.uk](http://www.scotborders.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 2016. The statement also covers relevant governance issues as they affect those entities included as part of the Council's Group Accounts.

### The Governance Framework

The Council's Local Code of Corporate Governance provides the framework against which compliance is measured. This Local Code sets out the key principles, which require to be complied with, to demonstrate effective governance. The Local Code has been reviewed and revised to reflect significant changes in governance arising from alternative service delivery arrangements, new partnership arrangements and other new legislation, for Council approval in May 2016.

The key elements of the Council's governance arrangements as set out in the Local Code include:

- 1) The Council has a Single Outcome Agreement (SOA) in place agreed with the Scottish Government and Scottish Borders community planning partners. The Council's vision, strategic objectives and priorities underpinned by the Strategic Assessment are reflected in the Council's Corporate Plan and the SOA which are approved by Council.
- 2) The Council has an approved Performance Management Framework in place to enable progress to be monitored against the Council's Corporate Plan and Priorities, SOA and associated Service Business Plans and Financial Plans, and to ensure it meets its legal duty to provide best value to people and reports publicly on its performance.
- 3) The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users. The Scottish Borders CPP Community Engagement Framework (2015) sets out principles for engagement and the Toolkit shares best practice methods.
- 4) The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The Executive Committee is the key decision-making and monitoring committee and the Scrutiny Committee for reviewing policy decisions.
- 5) The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of administration, scheme of delegation, and financial regulations which are regularly reviewed and revised where appropriate.
- 6) Codes of conduct are in place for, and define the standards of behaviour expected from, elected members and officers to make sure that public business is conducted with fairness and integrity. This includes a range of systems and procedures that are in place to ensure that elected members and employees are not influenced by prejudice or conflicts of interest in dealing with local citizens.

- 7) The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.
- 8) The Council is committed to the delivery of efficiencies through its transformation programme with the objective to deliver efficient and effective services to customers, whilst maintaining a robust control environment. On an annual basis it identifies efficiency savings to be made within the financial plans, and monitors their achievement on a regular basis.
- 9) The Council has undertaken two significant strategic developments involving different structures for delivering its services, requiring different governance arrangements. Firstly, from 1 April 2015 the LLP Strategic Governance Group, a Sub-Committee of Council, was set up to carry out the monitoring and control functions required by the Council in connection with SB Cares LLP, a wholly owned subsidiary for the delivery of the Council's adult care services. Secondly, from 1 April 2016 the Executive Committee will fulfil the performance monitoring role to ensure delivery of the agreed outcomes by the Integrated Culture and Sports Trust and a Member-Trustee Liaison Group has been created as a strategic forum.
- 10) The Council fosters relationships and partnerships with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Vision, Values and Standards within the Corporate Plan.
- 11) Significant work has been undertaken over the last 2 years to develop the governance arrangements associated with the Health and Social Care Integration programme ensuring delivery of structural reforms in local authority and NHS services in compliance with new legislation and regulations. The final Scheme of Integration has been approved by Scottish Ministers. The formal establishment of the Integration Joint Board was approved on 7 March 2016, as well as the approval of the Strategic Plan which became live on 1 April 2016, and the formal appointment of the Chief Officer and Chief Finance Officer. The Chief Officer Audit & Risk has been fully involved in developing the governance scheme for the Partnership as a member of the Integration & Governance working group.
- 12) The corporate management structure consists of the Chief Executive, two Deputy Chief Executives and ten Service Directors. The roles of officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with the performance review and development (PRD) process.
- 13) The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- 14) The Chief Social Work Officer (CSWO) provides the Council with professional advice on the discharge of her statutory social work duties. She promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc. The CSWO presents an account of this work in an annual report to Council. The report also gives an overview of regulation and inspection, workforce issues and social policy themes over the year and highlights some of the forthcoming challenges.
- 15) The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters, keeping proper financial records and accounts, and maintaining an effective system of internal financial control under the terms of the financial regulations.
- 16) 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. In particular, the system includes annually approved revenue and capital financial plans, medium term financial planning, setting and monitoring targets to measure financial performance, and regular reviews of periodic and annual financial reports which indicate financial performance against budgets.
- 17) The Service Director Regulatory Services (the Monitoring Officer) is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. In line with the Council's Monitoring Officer Protocol, an annual report is presented to the Standards Committee on councillors' compliance with the ethical standards framework.

- 18) The Chief Officer Audit & Risk (Head of Internal Audit) provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is based on the delivery of an approved plan of systematic and continuous internal audit review of the Council's arrangements carried out by an in-house internal audit team in conformance with the Public Sector Internal Audit Standards.
- 19) The Council responds to the findings and recommendations of internal audit, external audit, scrutiny and inspection bodies. The Audit and Risk Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- 20) The Council has reviewed and refreshed its risk management policy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- 21) The Council has reviewed and refreshed its proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- 22) The Elected Members Development Programme includes the comprehensive Induction programme which is periodically supplemented by additional training. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit, pensions, employment.

### **Review of Framework**

The Council carries out an annual review of the effectiveness of its overall governance framework which is presented to the Audit and Risk Committee whose role includes high level oversight of the Council's governance, risk management, and internal control arrangements.

The review is informed by the work of an officer self-evaluation working group on corporate governance which undertakes an annual self-assessment against the Council's Local Code of Corporate Governance. This group has responsibility for monitoring compliance with the Local Code and making recommendations to ensure continuous improvement of the systems in place.

The review is also informed by assurances from: the Depute Chief Executives and Service Directors, who have responsibility for the development and maintenance of the governance environment within their departments and services and who in turn identify actions to improve governance at a departmental level; the Chief Officer Audit & Risk's annual report on the work of internal audit and independent opinion on the adequacy and effectiveness of the systems of internal control and governance; and comments made by external auditors and other external scrutiny bodies and inspection agencies.

The conclusion from the review activity outlined above is that in 2015/16 the Council continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective.

### **Improvement Areas of Governance**

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

- (a) In light of the on-going significant challenges in addressing cost pressures and responding to the changes in government funding: (i) complete roll-out of people planning and succession planning across the Council as part of its people management arrangements(ii) ensure that financial, people and business plans are developed concurrently and continue to be aligned to the Council's corporate plan and priorities, and (iii) continue to ensure that options are fully appraised for alternative models and structures to enable delivery of efficient and effective services to customers in a sustainable way.
- (b) On-going monitoring and review of the Performance Management Framework to ensure it is embedded in service delivery, and informs improvement activity and decision making. This will include the full application of appropriate and proportionate self-assessment processes in all Council services as a self-evaluation tool to demonstrate achievement of Best Value, acting as a focus for evidencing value for money in service provision and linked to the business planning cycle.

- (c) The Council's decision to implement the new Business World ERP means that there will be a requirement to review and agree amended Financial Regulations, policies, procedures and guidelines of the key financial planning, management and administration processes linked to the Financial Regulations, and for the provision of financial training to managers and budget holders across the whole Council.
- (d) Consistent application across all the activity in the Corporate Transformation Programme of the demonstrated key success factors including the robust definition of Business Case and Benefits, Return on Investment, and Programme and Change Management to ensure there is confidence of the delivery of improvements and savings.
- (e) Ensure comprehensive information management across the Council and within each department in all relevant aspects of service delivery through appropriate awareness of and adherence to procedures, practices and guidelines to ensure full compliance with legislation and regulations.
- (f) Continue to improve the reporting arrangements to: (i) Evidence that learning from complaints is taking place and SPSO decisions are being reported to elected members; and (ii) Expand the volume of compliments and other comments, to gather a wide range of feedback from service users, and ensure these are reflected alongside the arrangements in place for dealing with complaints.
- (g) Development of standardised framework for reviewing strategic asset management plans to inform investment in assets and infrastructure to ensure they are fit for the future and enhancing on-going delivery of capital programmes and projects linked to the corporate transformation programme.
- (h) Establishment of better ways of linking recommendations made by Internal Audit, External Audit and other external scrutiny and inspection bodies to service action plans within each Service Directorate through a more user friendly method of viewing actions in Covalent linked to Performance measures and risk, as clear evidence of continuous improvement.

These actions to enhance the governance arrangements in 2016/17 are incorporated where appropriate within the Council's service directorate business plans and their implementation and operation will be driven and monitored by the Corporate Management Team in order to inform the next annual review.

### **Certification**

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Scottish Borders Council's systems of internal control and governance. Although areas for further improvement have been identified the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects.

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Tracey Logan  
Chief Executive  
mm 2016

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Councillor David Parker  
Leader of the Council  
mm 2016