

PERTH AND KINROSS COUNCIL**Scrutiny Committee****17 June 2015****ANNUAL GOVERNANCE STATEMENT****Report by Head of Legal Services****PURPOSE OF REPORT**

The Annual Governance Statement is a key document in providing an assurance to the public about the way the Council is run. It is therefore important that governance issues are identified systematically and comprehensively and reported in a transparent manner. It is also important that these issues are reported to senior management and the relevant Committee to fulfil the requirements of the governance framework, namely openness, transparency and integrity.

1. BACKGROUND / MAIN ISSUES

The Annual Governance Statement explains how Perth & Kinross Council complies with national standards for good corporate governance and meets the requirements of relevant legislation and current good practice. It is required to be signed and published along with the Annual Financial Statement.

The draft Annual Governance Statement for 2014/15 is attached as Appendix A.

2. SIGNIFICANT GOVERNANCE ISSUES

This is the key section of the statement and details any significant governance issues that have been identified during the year. These are governance issues that have been identified as being common to most Council Services or such that they would have a significant impact on the Council.

They are identified using the following methods: -

2.1 Self Assessment Forms (based on Cipfa/Solace Good Practice Guidance)

These forms are issued each year to Services and individual officers to complete. Evidence is requested to ensure that governance issues have been complied with and the recipients are asked to make a judgement as to full compliance with each governance point. Sixteen forms were issued, fourteen have been returned to date, with two forms still in the process of completion. It is not anticipated that the forms in progress will highlight any significant areas of concern.

2.2 How Good is our Council

This self assessment exercise is reviewed and any improvement action noted.

2.2.1 Internal and External Reports

The following reports are reviewed and any improvement actions noted: -

- Service BMIP's
- Annual Performance Reports
- Internal Audit Reports
- External Reports
- External Inspection Reports

Committee Agendas are also scrutinised and each report scanned and any improvement action noted.

In addition the Risk Register is scanned for any Blue or Red risks indicating a failure in control.

3. ISSUES

During the preparation of the statement in 2010/11 & 2011/12 it was felt that there were other possible sources of information which might usefully contribute to the list of Significant Governance Issues. This might include reports to other groups in the Council such as Member / Officer groups, EOT, CMG, CRG, etc.

The Complaints and Governance Officer does not have access to these reports and consequently has not used them in the preparation of the AGS.

4 EXTERNAL AUDIT REVIEW

- 4.1 The Annual Governance Statement is reviewed each year by External Audit who highlighted that not all 2013/2014 Self-Assessment Forms had been returned by the date the Statement was signed off. Information on the return of the 2014/2015 forms is detailed within point 2.1.

5. CONCLUSION AND RECOMMENDATION(S)

The Scrutiny Committee is asked to;

- (a) Discuss and approve the 2014-2015 Annual Governance Statement.

Author(s)

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Approved

Name	Designation	Signature
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Date 11 June 2015		

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Council Text Phone Number 01738 442573

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	None
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	None

2. Consultation

Internal

- 2.1 Staff from each Service have been consulted to assist in the preparation of this statement.

External

- 2.2 Staff from a number of external organisations have provided information to enable the Statement's completion.

3. BACKGROUND PAPERS

Please refer to Section 2 of the report for this information.

4. APPENDICES

The 2014-2015 Annual Governance Report is attached as Appendix A

ANNUAL GOVERNANCE STATEMENT 2014/15

1. Scope of Responsibility

- 1.1 Perth & Kinross Council has to ensure that it conducts its business in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used appropriately. The Council has a legal duty to keep accounts and to follow proper accounting practices.
- 1.2 To fulfil these duties, the Council has to put in place arrangements for the governance of its affairs, including arrangements for the management of risk.
- 1.3 This statement explains the way Perth & Kinross Council complies with national standards for good corporate governance and meets the requirements of relevant legislation and current good practice.
- 1.4 Perth & Kinross Council's Local Code of Corporate Governance can be found on the Council's [website](#) or a copy can be obtained from the Head of Legal Services at Perth & Kinross Council, Blackfriars Development Centre, North Port, Perth, PH1 5LU.
- 1.5 This statement must also cover the four organisations that are included in the Council's Group Accounts.

For Live Active Ltd and Horsecross Ltd, reliance has been placed upon the unaudited financial statements of the companies. In addition assurance has been placed on internal control information taken from the Council's contract with Live Active Ltd and the Service Agreement with Horsecross.

For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's Annual Governance Statement.

These, together with written assurances, provide comfort that no material weaknesses have been identified within their internal financial control systems.

2. The Governance Framework

- 2.1 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 It is made up of the systems and processes, cultures and values by which the Council is directed and controlled. It also includes the way in which the Council accounts to, engages with and leads the community.

- 2.3 The governance framework is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically.

3. Perth & Kinross Council's Structure

- 3.1 Perth & Kinross Council is made up of 41 councillors. The Council has 13 committees and a number of sub committees, each with specific remits. The Council and its committees meet to consider business regularly according to a published schedule.
- 3.2 The Chief Executive is the Head of Paid Service for the Council. The Council's officers are formed into four Services, led by the Chief Executive and three Executive Directors. One of the Executive Directors also acts as Depute Chief Executive. Each Service is split into functional areas led by Heads of Service.

4. Perth & Kinross Council's Governance Framework

- 4.1 The Council's Scheme of Administration sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The Chief Executive or any Executive Director is able to make any urgent decision provided all such decisions outwith their normal delegated powers are reported to the next available meeting of the Council or relevant Committee.
- 4.2 The Chief Executive and Executive Directors meet regularly as the Executive Officer Team with the Monitoring and Section 95 Officers having access to papers and attending when required. An extended Executive Officer Team with relevant Heads of Service meet regularly as both the Strategic Investment Group and the Public Protection Group to deal respectively with capital programme issues and public protection issues. The Executive Officer Team continues to develop the concept of subject specific meetings in order to deal with corporate issues as effectively as possible. Individual Services have their own Service Management Teams. Depute Directors and Heads of Service also meet as the Corporate Management Group which has a key role in the development and implementation of Council strategy and policy.
- 4.3 The Council's high level strategic objectives and priorities are set out in its [Corporate Plan](#) for 2013-18 which was approved by Council on 27 February 2013. It sets out a vision and describes how the Council will achieve the outcomes contained in the Single Outcome Agreement with the Scottish Government. Outcomes and performance indicators within the Single Outcome Agreement are monitored by exception every month by the Executive Officer Team.

- 4.4 As part of the Perth and Kinross Community Planning Partnership the Council works to deliver local services with other public sector organisations in the area. Its objectives are set out in the Community Plan/Single Outcome Agreement 2013-23. The Council's performance monitoring arrangements are linked to those of the Community Planning Partnership.
- 4.5 The Council has set out areas of corporate improvement activity around prevention, people, partnership, performance and building the community asset base. Corporate improvement actions are led and monitored by the Corporate Management Group.
- 4.6 Individual Service Plans (Business Management & Improvement Plans) set out detailed actions and outcomes for each Service and include performance indicators.
- 4.7 Monthly training sessions, by means of delayed opening, are held to update staff about Council policies and procedures and key legislation. All new employees undergo a compulsory induction programme that covers key roles and procedures. There is an annual employee review and development process. Regular team briefings are held and on-line training courses are available. This ensures that policies and procedures are communicated throughout the Council.
- 4.8 The Council maintains a register of Corporate Business Risks which are monitored by the Executive Officer Team on a monthly basis via the Performance and Risk Report. The Scrutiny Committee and Senior Management Teams also scrutinise the risks on a regular basis. Similarly, Service risks are identified and managed within each Service. The risks associated with each major project undertaken by the Council are identified and managed through appropriate project management arrangements and reports are produced for each project deemed to be of high risk or of a value greater than £500,000 and submitted on a monthly basis to a sub-group of the Corporate Management Group.
- 4.9 The Council has a Transformation Programme which is scrutinised by the Executive Officer Team and the Modernising Governance Member Officer Working Group. Services also carry out Best Value Reviews, which are designed to ensure continuous improvement in the economy, efficiency and effectiveness of services. The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored.
- 4.10 Annual budgets are set by the Council, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are included in the Council's Financial Regulations and training has been provided to budget holders. Budgets are monitored regularly. The Council's financial performance is monitored regularly by the Executive Officer Team and the Strategic Policy & Resources Committee.

- 4.11 The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan and Community Plan/Single Outcome Agreement. The Council also publishes an “at-a-glance” [scorecard](#) on its website showing the Council’s performance against its key performance indicators. Service Business Management and Improvement Plans, which include performance indicators, flow from the Corporate Plan priorities, and feed into the targets contained within Team Plans. Service Management Teams regularly review the performance of their Service and the Executive Officer Team monitors performance each month on an exception basis. Service performance is reported to the Executive Officer Team and then to relevant committees every six months.
- 4.12 Performance is also discussed on a regular basis between the Chief Executive and each Executive Director as part of the annual appraisal process. The Chief Executive also carries out monthly one-to-one meetings with each Executive Director. This process is replicated at Service level.
- 4.13 The Council has a published process for dealing with complaints from members of the public. There are also appropriate arrangements for employees to report concerns about possible wrong-doing in the Council and particular arrangements for them to report concerns about fraud or corruption.
- 4.14 The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. The Council continues to embed its locality planning approach by broadening its opportunities to engage more widely by developing locality leadership models. A biennial Residents Survey ensures that views are sought about the Council from a wide range of communities and individuals.
- 4.15 The Council’s Chief Financial Officer is a key member of the Senior Management of the Council helping it to develop and implement strategy and to maintain strong financial management underpinned by effective financial controls. This ensures that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Chief Financial Officer contributes to corporate management and leadership and supports and advises officers in their operational roles. The Chief Financial Officer supports and advises elected members on the adequacy of financial reserves and other related financial matters.
- 4.16 The Council’s Internal Audit team reports directly to senior management on the adequacy of system controls and, where necessary, makes recommendations for improvement. A report is produced following each completed audit and is discussed with the appropriate level of management within the Council. Each report contains a Management Action Plan that details the action agreed for each audit finding, the priority, the accountable manager and agreed implementation date. Audit reports are considered by the Audit Committee.

- 4.17 A risk-based internal audit plan is prepared annually in a process which reviews all the significant activities and systems that contribute to the achievement of the Council's objectives. Audits are prioritised based on the resources available and a combination of the significance of the activity or system in relation to the Council's objectives; the likely consequences of a failure of control; the degree of change in the activity or system and the assessed strength of the internal controls in place.
- 4.18 The Council has arrangements in place for the management of information risk including an information security policy and standards. The Council also currently complies with the Government requirements to operate as a public service network (PSN). Government policy as regards the identification and assessment of threats to local authorities has changed recently and current measures have been reviewed to ensure continuing compliance with PSN requirements. All policies, procedures and systems are monitored and regularly reviewed to ensure legal compliance and the integrity of the Council's information management systems
- 4.19 The Council is a partner in the Tayside Procurement Consortium with Dundee and Angus Councils. The aims of this consortium include maximising efficiency and collaboration and delivering and demonstrating real cash savings across the public sector. The Council continues to improve its contract governance system to enable the Council to successfully monitor and manage its major contracts and to help resolve any disputes.

5. Review of Effectiveness

- 5.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This review is informed by the work of the Executive Officer Team, senior managers and the internal auditors who have a responsibility for the development and maintenance of the governance environment. Comments made by external auditors and other agencies and inspectorates are also taken into account.
- 5.2 The Council is responsible for ensuring that its financial management is adequate and effective and that there is a sound system of internal control that is regularly reviewed. As such, it agrees the Financial Regulations, which form an integral part of the Corporate Rules. It also approves and sets the Annual Budget, which provides the framework for budget setting and good budgetary control.
- 5.3 The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework.
- 5.4 The Scrutiny Committee and the Strategic Policy & Resources Committee perform the overview and scrutiny role in relation to all matters pertaining to the governance of the Council, including review of the Corporate Rules, its political arrangements and rules of procedure. The Audit Committee approves the annual audit plan and receives the annual audit report.

- 5.5 Internal Audit has completed its 2014/2015 Audit plan and issued 26 planned audits during the period covered by this statement.
- 5.6 The Council's Corporate Governance arrangements include clearly defined roles and responsibilities for all Chief Officers and statutory officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the Section 95 Officer (Chief Financial Officer).
- 5.7 The Council's corporate rules include Standing Orders and Financial Regulations. All proposals of a significant nature are assessed for legality and financial impact prior to a decision being made. Mechanisms are in place to ensure that the Council implements new legislation.
- 5.8 The Council has designated the Executive Director (Environment) as the Senior Information Risk Owner with the Head of Legal Services as Depute. An information security management forum meets on a regular basis.
- 5.9 The Local Area Network comprising key scrutiny bodies which engage with the Council (including Audit Scotland) have assessed Perth and Kinross as a "low risk council which shows good self- awareness and demonstrates a positive response to external scrutiny". In addition the risk assessment notes that "currently for 2014 to 2017 no additional specific scrutiny activity has been identified".

6. Significant Governance Issues

- 6.1 The Annual Internal Audit report for 2014/15, notes that reasonable reliance can be placed on the Council's systems of internal control for 2014/15, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised within section 2 of the report.
- 6.2 . The Governance Framework has been in place for the financial year ended 31 March 2015 and up to the date of approval of the Annual Report and statement of accounts. The review of the Council's governance systems carried out for this statement did not identify any new issues for the Financial Year 2014/15.
- 6.3 The actions from the Annual Governance Statement for 2013/2014 are detailed in the table below with progress noted.

ISSUE	Issue Identified	Source of Evidence (2013-14)	Evidence / Action taken to date	Issue Identified 2014-15
1	The management of Information Risk requires further development.	Executive Officer Team & Audit Scotland Report: Review of Data Management (August 2013, recommendation 2).	Information Management Strategy, policies and procedures are in place. Systems currently comply with requirements of PSN however government policy regarding identification and assessment of risk will require a review of current systems, policies and procedures going forward.	Review relevant information risk management systems, policies & procedures to ensure continuing compliance with PSN requirements Head of Legal Services October 2015
2	The governance of ALEOs (External Organisations) requires improvement.	Audit Scotland Report (May 2014, recommendation 3) & EOT Action. (NB- Recommendation related to clarifying roles and responsibilities for Members sitting on the cultural and leisure trusts - Horsecross and Live Active Leisure)	Both trusts are subject to a formal service level agreement. Elected Members are given training as part of induction as regards distinguishing their roles and responsibilities of members whilst sitting on external bodies and ALEOs	In accordance with the Council's Code in relation to ALEOs and Following the Public Pound – a written agreement will be drafted setting out roles, responsibilities and how conflicts of interest should be managed Head of Legal Services October 2015
3	Housing Benefit accuracy performance is below target and as a result subsidy was lost in 2012-13.	Audit Scotland Report: Audit of housing and council tax benefit (December 2013) and letter of 6 February 2014 from Russell Frith, Assistant Auditor General.	Audit Scotland letter from Russell Frith dated, 7 November 2014 'stating no further scrutiny is required at this stage'. Internal Audit Report 14-18 assigning Strong/Moderately Strong Controls and having no reported 'High' Action Points	No further action required

- 6.4 It is our view that as far as possible the Council has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve.
- 6.5 It is anticipated that there could be a number of governance challenges in the course of the next Financial Year which the Council will have to deal with. These include the integration of Health and Social Care, the sharing of personal information especially in relation to GIRFEC, implementing Community Justice Arrangements and Community Empowerment.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date:

Ian Miller
Leader of the Council

Perth & Kinross Council

Date: